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THE ART OF POSITIONING

bancography

BRANCH PRODUCT RESEARCH BRAND

THE TOP-RANKING BANK BRANDS:

ASSETS > $30 BILLION

1. U.S. Bank (MN)
2. Wells Fargo Bank (MN)
3. The Northern Trust Company (IL)
4. PNC Bank (PA)
5. JPMorgan Chase Bank (NY)
6. Branch Banking and Trust Company (NC)
7. Bank of America (NC)
8. Manufacturers and Traders Trust Co. (NY)
9. Union Bank of California
10. Comerica Bank (TX)

ASSETS $2 BILLION - $30 BILLION

1. Woodforest National Bank (TX)
2. Bank of Hawaii
3. The Park National Bank (OH)
4. Amarillo National Bank (TX)
5. Silicon Valley Bank (CA)
6. Hudson Valley Bank (CT)
7. Intrust Bank (KS)
8. City National Bank of West Virginia
9. TrustCo Bank (NY)
10. Firstmerit Bank (OH)

ASSETS $500M - $2B

1. The Citizens Bank (Farmington) (NM)
2. First American Bank (Artesia) (NM)
3. Western National Bank (TX)
4. First National Bank Texas (TX)
5. Bank of the West (TX)
6. FirstBank of South Jeffco (CO)
7. West Texas National Bank (TX)
8. Armstrong Bank (OK)
9. Central Bank of Lake of the Ozarks (MO)
10. Sabine State Bank and Trust Company (LA)

BANKS WITH ASSETS < $500M

1. Wilburton State Bank (OK)
2. The Bank of Baker (MT)
3. Bank of Dade (GA)
4. The Carlsbad National Bank (NM)
5. Security First National Bank of Hugo (OK)
6. Trust Company of America (CO)
7. Delta Bank (LA)
8. Valley Bank of Commerce (NM)
9. First Bank & Trust Company (Wagoner) (OK)
10. Community Bank (Longview) (TX)

Bancography Brand Value Index

Bancography recently released its 2009 Bancography Brand Value Index, a study that quantitatively ranks the brand strength of U.S. financial institutions. The Brand Value Index calculates brand value as the proportion of an institution's total value that is generated by intangible factors such as reputation, service quality and community image. It separates these factors from tangible elements such as book value, which is based on the institution's actual assets and liabilities, and franchise value, which derives from the quality of markets in which the institution operates.

Major factors in the brand value calculation include cost of funds and earnings consistency. The former represents the best direct quantitative indicator of brand strength: if one institution pays 3.50% for deposits and another pays only 2.50%, what is it about the first institution that allows it to raise funds less expensively? Why are consumers willing to sacrifice 100 basis points in yield in order to bank with the first institution? Or, conversely, why must the other institution pay an additional 100 basis points in order to entice customers? The answer must lie in one of the (continued on page three)

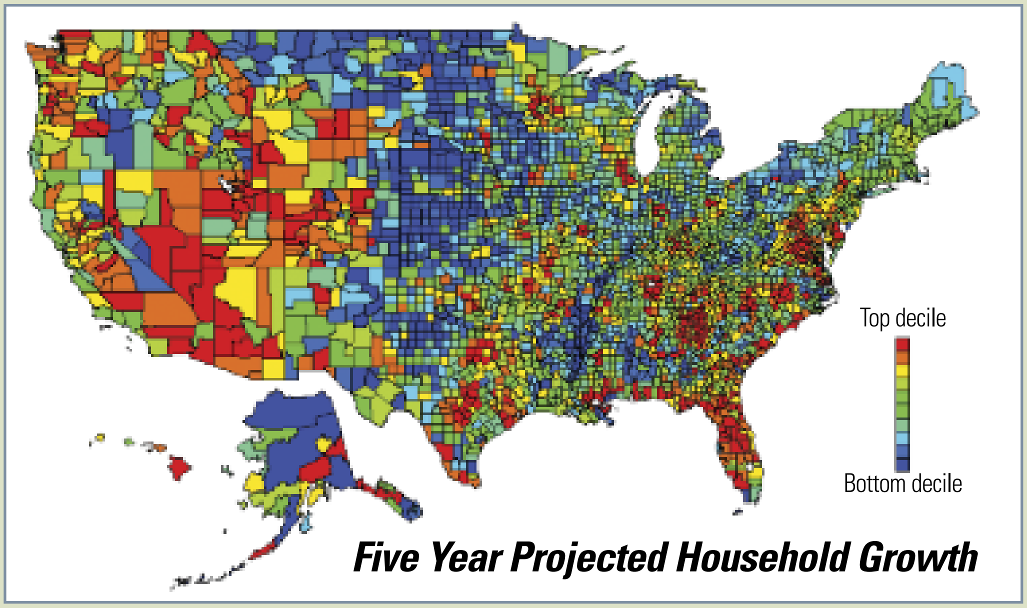
Demographic Trends, 2009 Update

Articles about demographic trends have always proven popular among *Bancology* readers, so in this issue we revisit some of the demographic trends last discussed in one of our 2007 issues. The latest census demographic statistics and forecasts were recently released, and the data contain interesting implications for bankers.

The maps and tables that follow discuss some of the major findings from our 2009 demographic update. The maps read like a newspaper weather map, with red indicating higher values, graduating down the color spectrum to blue indicating lower values.

Household growth

Most notably, household growth forecasts have slowed dramatically in concert with the overall economic slowdown. The U.S. five-year projected household growth rate is now only 4.6%, compared to a forecast of almost 7.0% just one year ago. This lower forecast reflects reduced immigration due to a lack of available jobs and reduced household formation as recent graduates elect to remain with their families rather than establish new households. Since consumers are most likely to seek new banking relationships upon moving or (continued on page two)

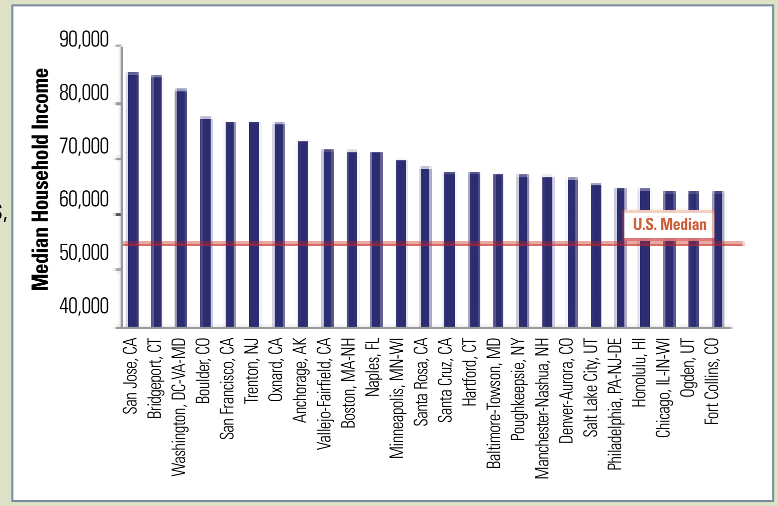


Five Year Projected Household Growth

Demographic Trends, 2009 Update *continued from page one*

establishing a new household, the reduced household growth forecasts should temper new account growth targets. However, on the positive side, a more stable population should also drive higher retention expectations, as fewer accounts will be lost to uncontrollable issues such as out-of-market relocations.

While warm weather locales remain popular for relocation, Florida, which has experienced some of the most severe impacts of the housing slump, no longer dominates the ranks of the fastest growing markets. Rather, three of the 10 highest growth markets (and four of the top 12) are found in the Carolinas, beneficiaries of a more stable real estate market and a trend toward more temperate retirement locales (see chart to the left).



Top 10 Growth Markets

Raleigh, NC	17.94%
Myrtle Beach, SC	17.20%
Fort Myers, FL	16.41%
Austin, TX	16.08%
Greeley, CO	15.99%
Phoenix, AZ	15.69%
Las Vegas, NV	15.48%
Charlotte, NC-SC	15.29%
Ocala, FL	14.99%
Boise, ID	14.92%

Includes only metros with population > 250,000

Relocation

While rates of relocation have declined across the country, the impact is more severe in some areas. The most stable household bases are in the northeast, as Massachusetts, Connecticut, Pennsylvania and Maine show the lowest turnover rates in the nation. In contrast, western states, including Nevada, Oregon, Alaska and Washington, rank among the most transient states in the country, with more than 70% of residents living in their homes for less than five years (see bottom chart to left).

Top States: Five Year Household Turnover

Vermont	78%
Nevada	77%
Arizona	75%
Alaska	75%
Oregon	74%
Washington	73%
Texas	72%
Arkansas	72%
Alabama	71%
Colorado	70%

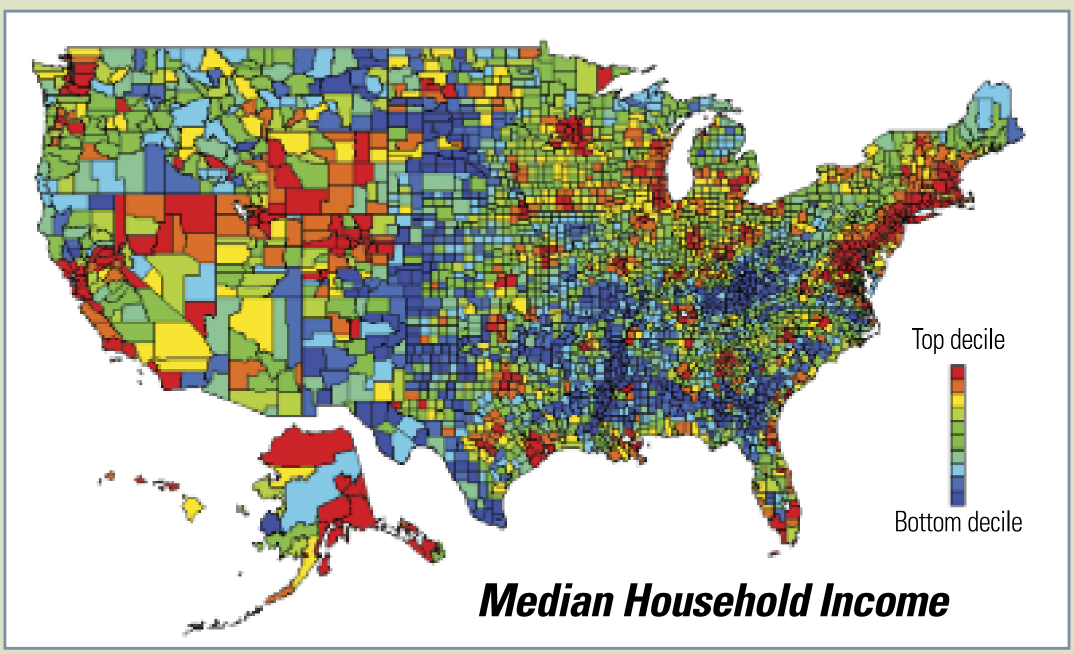
Bottom States: Five Year Household Turnover

Massachusetts	53%
Connecticut	55%
Pennsylvania	58%
Maine	60%
Michigan	60%

Income

From an income perspective, the most affluent metros are concentrated in the northeast and west and include a mix of major urban capitals and smaller bedroom communities. For example, San Jose, Washington DC and San Francisco are joined in the top 10 median household income rankings by Boulder (CO), Bridgeport (CT) and Trenton (NJ) – bedroom communities to Denver, New York and Philadelphia, respectively (see chart above). The urban capitals of the northeast and the west coast remain significantly more affluent than the south and the midwest, as illustrated on the map below.

Visit us at *www.bancography.com/bancology.html* for more interesting maps and tables about the latest demographic trends.



How to Select Branch Hours of Operation

Banks and credit unions alike devote significant research into determining the optimal location for branches and the appropriate staff for those branches. But one facet of branch operations is often overlooked during the planning phase – the actual hours the branch will be open to serve its customers. Hours of operation can provide a source of competitive differentiation but can also be a critical factor in a branch's overall expense levels. Further, decisions about operating hours must be made carefully, since once extended hours are offered to consumers, the option can be difficult to remove.

A generation ago, it was common for branches in smaller communities to close one afternoon a week – usually Wednesdays – and the practice endures in some small towns. Bankers joked about the 3 – 6 – 3 rule: borrow at 3 percent, lend at 6 percent, on the golf course by 3 p.m. Today, the industry is more competitive and more complicated, and financial institutions maintain diverse operating hours in different market types.

Extended weekday hours are most effective in distant suburbs on the outskirts of major metros. For the commuter traveling up to two hours home from central Atlanta or Los Angeles, the easy availability of quick banking services can be invaluable and can create significant customer loyalty. While the most common level of extended drive-in hours targeting commuters is 7 a.m. to 7 p.m., there are some institutions that offer drive-in banking until 8 p.m. or even 9 p.m. on selected days. Of course, extended hours can bring additional cost, so it is imperative to staff efficiently. By making use of peak time shifts, for example, a 7 – 4 shift and an 11 – 7 shift, a bank can maximize coverage in the busiest hours without carrying its full complement into the extended hours.

Saturday hours are most effective in residential neighborhoods; those areas with limited daytime population during the workday as commuters head to work in more commercial areas. Since these branches are less accessible to the quick-lunchtime-stop customer during the week, they often report high account opening counts on Saturdays. In some markets, mostly in the northeast and western parts of the country, Sunday hours have become commonplace too. In the past banks often paid overtime for Saturday staff, but with efficient scheduling models Saturday shifts can be covered on a rotating basis by full-time employees without breaking the 40-hour limit. In-store branches have long been used as an inexpensive way to extend the capacity of nearby branches, on both weekends and evenings.

One decision point regarding hours involves whether hours need to be consistent across branches within a given market or within an entire franchise. Having all branches maintain the same *(continued on page four)*

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Bancography Brand Value Index *continued from page one*

non-financial factors that in aggregate comprise an institution's brand.

"Brands are built on the strength of these intangibles", says John Mathes, Director of Brand Services for Bancography. "If a financial institution has successfully differentiated itself from its competition on any number of these factors, their Brand Value Index rank will reward them accordingly."

This year's top ranking institutions include U.S. Bank and Wells Fargo among the largest banks; Woodforest Bank and Bank of Hawaii among mid-sized banks; and Police and Fire Credit Union (Philadelphia, PA) and Chevron Credit Union (Oakland, CA) among credit unions. The list of top ranking brands is correlated with other rankings of service quality. For example, Wells Fargo, Commerce Bank (MO) and Arvest Bank all receive top scores in JD Power's retail bank satisfaction rankings, and all rank near the top of their peer group in the brand value index.

But customer service is only one dimension of the brand, and other institutions attract customers based on different dimensions. For example, Woodforest, which ranks first in the mid-sized bank tier, operates most of its branches in Wal-Mart stores. Most offer seven-day operation and a few branches are even open 24 hours. For that bank, the brand's value is impounded in convenience, defined by widespread branch access.

Successful brands are those that are embodied in one or more fundamental attributes of the institution. Whether that attribute is service quality, convenience, multi-channel access, community involvement, customer advocacy or some mix of these and other factors, the top ranking institutions understand their brand pillars and align their operating model accordingly.

The top 10 brands in each asset tier are listed on page one and three in the side panels.

For more information about the Bancography Brand Value Index, including where your institution ranks, please contact Bancography's director of brand strategy, John Mathes, at *john@bancography.com* or (770) 360-5710.

THE TOP-RANKING CREDIT UNION BRANDS:

ASSETS > $1 BILLION

1. Police & Fire (PA)
2. Chevron (CA)
3. Tinker (OK)
4. JSC (TX)
5. Whitefish (MT)
6. Veridian (IA)
7. Public Service Employees (CO)
8. Community First (WI)
9. Lake Michigan (MI)
10. APCO Employees (AL)

ASSETS < $1 BILLION

1. White Sands (NM)
2. American Heritage (PA)
3. My Community (TX)
4. Golden Plains (KS)
5. Complex Community (TX)
6. Red Crown (OK)
7. Deere Employees (IL)
8. Valero (TX)
9. Navy Army (TX)
10. Pelican State (LA)

NEWS

Bancography will exhibit at the **BAI Retail Delivery Conference & Expo, November 4 - 6,** in Boston. Stop by and visit us at Booth 1047.

How to Select Branch Hours of Operation *continued from page three*

hours gives simplicity, especially to call center personnel fielding inquiries. It also facilitates advertising the bank's convenience: it's easier to print "open Saturday 10 – 4" without the dreaded asterisk indicating "selected branch only, call for details." However, in reality it is rarely cost effective to keep all branches open late or on weekends; consider a downtown location on a Saturday, for example. If the institution opts for different hours by branch, it should seek to minimize the number of schedules; one group 9 – 4; one group 9 – 7; and one group adds Saturdays. Further, it is then imperative that both the bank's web site and call center personnel accurately communicate the hours, no small task in an institution with a broad branch base.

Consumers value convenience, and so extended hours can be a key differentiator. Keep in mind though that unlike a broad branch or ATM network, or a specific product feature, there is nothing about operating hours that can't easily be replicated by competitors. If your institution adds hours and your competitor matches that, you've both raised your costs – without providing any relative differentiation. Still, for the institution that acts first and remains committed to convenience through extended access, a well planned strategy regarding branch hours can be a beneficial marketing tool.

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