



N E W S R E L E A S E

Sorrento Pacific-Michael White Report Wealth Management Income Grows to Another Record First Half

FOR IMMEDIATE RELEASE – Radnor, PA, and San Diego, CA, October 26, 2015 – Bank and thrift holding companies (BHCs/THCs) tallied a record \$73.78 billion in wealth management income in first half 2015, up 3.9% from \$71.03 billion in first half 2014, according to the new *Sorrento Pacific-Michael White Bank Wealth Management Report*[™]. Of 578 large top-tier BHCs/THCs, 357 or 61.8% engaged in wealth management activities so far in 2015.

Second-quarter BHC wealth management income jumped 3.7% to a record \$37.43 billion from \$36.08 billion in second quarter 2014; and it rose from the prior first quarter 2015 by 3.0% from \$36.35 billion.

Compiled by Michael White Associates (MWA) and sponsored by [Sorrento Pacific Financial, LLC \(SPF\)](#) in partnership with [Imeriti Financial Network \(IFN\)](#), this report measures and benchmarks the banking industry's performance in generating fee income from multi-faceted wealth management services for individuals, families, businesses, and nonprofits. Results are based on data from all 6,348 commercial banks, savings banks and savings associations (thrifts) and 578 large top-tier BHCs operating on June 30, 2015.

TOP 12 BANK HOLDING COMPANIES WITH THE FASTEST GROWING WEALTH MANAGEMENT INCOME IN FIRST HALF 2015

RANK	WEALTH MANAGEMENT FEE INCOME		PERCENT CHANGE 2014 - 2015	BANK HOLDING COMPANY	ASSETS	% OF NONINTEREST INCOME	
	1H 2015	1H 2014					
<i>(ALL DOLLAR AMOUNTS IN THOUSANDS)</i>							
1	\$8,667	\$868	898.50%	BANK LEUMI LE-ISRAEL CORPORATION	NY	\$5,747,302	41.69%
2	\$176	\$47	274.47%	FIDELITY SOUTHERN CORPORATION	GA	\$3,375,060	0.26%
3	\$142,650	\$46,720	205.33%	HILLTOP HOLDINGS, INC.	TX	\$12,473,319	21.70%
4	\$653	\$286	128.32%	FRANKLIN FINANCIAL NETWORK, INC.	TN	\$1,766,957	10.90%
5	\$473	\$209	126.32%	AUSTIN BANCORP, INC.	TX	\$1,545,973	4.56%
6	\$630	\$302	108.61%	RED RIVER BANCSHARES, INC.	LA	\$1,449,374	10.65%
7	\$6,157	\$3,216	91.45%	UMPQUA HOLDINGS CORPORATION	OR	\$22,805,153	4.39%
8	\$4,553	\$2,478	83.74%	INDEPENDENT BANKERS FINANCIAL CORP.	TX	\$2,077,831	8.36%
9	\$704	\$402	75.12%	BNC BANCORP	NC	\$4,278,588	6.00%
10	\$2,446	\$1,412	73.23%	HOME BANCSHARES, INC.	AR	\$8,074,382	8.06%
11	\$2,428	\$1,415	71.59%	FIRST TEXAS BHC, INC.	TX	\$1,643,025	37.22%
12	\$156	\$93	67.74%	CENTRAL VALLEY COMMUNITY BANCORP	CA	\$1,217,102	3.93%

BHCs with a minimum annualized wealth management income of \$250,000 in 2015 ranked by program income growth.

Excludes traditional insurance companies and mutual fund companies such as, respectively, The Principal and T. Rowe Price.

SOURCE: Sorrento Pacific-Michael White Bank Wealth Management Report[™]

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These BHCs achieved unadjusted mean wealth management program fee income of \$206.66 million in first half 2015. Their median investment program income was \$2.46 million, up 4.4% from \$2.36 million in median program income in first half 2014. Top quartile performance in first half 2015 began at \$9.91 million, up 3.3% from the \$9.59 million starting point for top-quartile BHC investment program revenue in first half 2014.

Wealth Management Program Growth

Of all 357 BHCs reporting wealth management income, nearly two-thirds (322 BHCs or 65.3%) were on track to earn a minimum quarter-million dollars in 2015. Of those 322 on track to earn \$250,000 or more this year, almost three-fourths (233 BHCs or 72.4%) showed some level of positive growth in wealth management income over 2014, with better than four-in-ten (104 programs or 44.6%) exhibiting double-digit growth and one-fifth (51 programs or 21.9%) achieving 20%+ growth.

For every one program that experienced a double-digit decline in wealth management income, almost four programs experienced a double-digit increase in that revenue. For every program that experienced a decline in wealth management revenue of 20% or greater, close to six programs experienced an increase of 20% or greater.

“The results we’re seeing are all very good news for the industry. Wealth management income has continued its record growth overall, and the number of investment programs with positive revenue growth far outpaces those that are slow to grow or are experiencing revenue declines,” said Valorie Seyfert, president and CEO of Sorrento Pacific Financial. “With shrinking margins and reduced income levels from other channels, wealth management programs like the ones we support in banks across the country take on added importance in sustaining top and bottom lines for banking organizations. This quarter’s report shows that banks that generate meaningful wealth management fee income are experiencing robust growth and offsetting declining or flat traditional bank revenues.”

Leaders in Wealth Management

The table entitled “Top 5 Leaders in Wealth Management Income in First Half 2015” lists leaders in the two traditional BHC assets classes: over \$10 billion in assets, and between \$1 billion and \$10 billion in assets. A third asset class includes the smallest community banks, those with assets less than \$1 billion, which are used as “proxies” for the smallest BHCs, which are not required to report wealth management income and its line items components.

TOP 5 LEADERS IN BANK WEALTH MANAGEMENT NONINTEREST FEE INCOME IN 1Q 2015			
RANK	BHCS OVER \$10 BILLION	BHCS BETWEEN \$1B - \$10B	SMALL BANK 'PROXIES' UNDER \$1B
1	JPMorgan Chase & Co. (NY)	Stifel Financial Corp. (MO)	The Haverford Trust Company (PA)
2	Morgan Stanley (NY)	SWS Group, Inc. (TX)	Essex Savings Bank (CT)
3	Bank of America Corporation (NC)	Boston Private Financial Holdings, Inc. (MA)	American Trust & Savings Bank (IA)
4	The Goldman Sachs Group, Inc. (NY)	Hilltop Holdings, Inc. (TX)	Fieldpoint Private Bank & Trust (CT)
5	Wells Fargo & Co. (NY)	Santander Bancorp (PR)	The Security National Bank of Sioux City, Iowa (IA)

SOURCE: Sorrento Pacific-Michael White Bank Wealth Management Report™

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Contribution of Four Components to Total Wealth Management Income

Wealth management income consists of four main components in this report, those being securities brokerage (which, by definition, must be present to define a wealth management program), annuity sales, fiduciary activities and investment advisory/banking services. Of the 357 BHCs reporting wealth management income, 92 BHCs or 25.8% reported earnings in each of the four component revenues constituting wealth management.

COMPONENT SHARES AS A PERCENT OF BHC WEALTH MANAGEMENT INCOME IN FIRST HALF 2015				
ASSET CLASS	ANNUITIES	FIDUCIARY ACTIVITIES	INVESTMENT ADVISORY / BANKING	SECURITIES BROKERAGE
ALL BHCS	2.3%	27.0%	41.0%	29.7%
BHCS OVER \$10 BILLION	2.3%	26.5%	41.4%	29.8%
BHCS \$1 BILLION – \$10 BILLION	8.1%	60.6%	8.6%	22.6%
SMALL BANK 'PROXIES' UNDER \$1 BILLION	9.0%	52.5%	5.9%	32.5%

SOURCE: Sorrento Pacific-Michael White Bank Wealth Management Report™

Securities brokerage fees and commissions represented \$21.92 billion or 29.7% of total BHC wealth management income in first half 2015, up 1.5% from \$21.59 billion in first half 2014.

Two hundred forty-five (245) BHCs or 68.6% of the 357 wealth management programs reported annuity income of \$1.71 billion in first half 2015, down 3.6% from \$1.78 billion in first half 2014. Annuity income constituted 2.3% of total wealth management income in first half 2015 and was the smallest contributor to overall wealth management income.

Two hundred forty-six (246) BHCs or 68.9% of all wealth management programs reported income from fiduciary activities of \$19.89 billion in the first six months of 2015, up 2.9% from \$19.32 billion in the same period of 2014. Fiduciary income constituted 27.0% of total wealth management income so far in 2015.

One hundred thirty-seven (137) BHCs or 38.4% of wealth management programs reported investment advisory and banking income of \$30.26 billion in first half 2015, up 6.8% from \$28.33 billion in the first six months of 2014. Investment advisory and banking income constituted the largest contributor to wealth management income with a share of 41.0% in six months of 2015.

“While fiduciary income represents an important component of wealth management, broker-dealer activities, including investment banking, advisory and underwriting, securities brokerage and annuity sales, dominate wealth management,” said Michael White, President of MWA.

Contribution of Wealth Management Components by BHC Asset Class

Whereas investment advisory/banking income was the number one contributor (40.0%) by the largest BHCs to their wealth management income, third-ranked fiduciary income (26.5%) ranked number one (75.7%) among large banks, further demonstrating that most investment advisory/banking operations are direct subsidiaries of bank holding companies whereas fiduciary services operate mostly through banks or their subsidiaries. Interestingly, the contribution of investment advisory/banking to wealth management income decreased by nearly 80% among the smaller BHCs (those with assets between \$1 billion and \$10 billion) and by over 85% among the small proxy banks with assets under \$1 billion.

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Mid-size BHCs (between \$1 billion and \$10 billion in assets) generated most of their wealth management income in first half 2015 from fiduciary activities (60.6%) and securities brokerage (22.6%). These BHCs tended to mirror most of the small proxy banks with assets under \$1 billion in that fiduciary income resumed its number one ranking and securities brokerage its second-place finish.

For purposes of comparing the smallest BHCs, i.e., those with assets less than \$1 billion, which no longer report line item fee income, the report uses similarly sized small banks as a stand-in or “proxy” for the smallest BHCs. In the past, when these smallest BHCs did report line item fee income data, they closely tracked the results of small banks, mainly because the small banks tended to hold the activity as a subsidiary so the income reported up to the bank, and, if there were a holding company, up to the BHC.

The bottom line findings of component contributions to BHC wealth management income are these: In first half 2015, investment advisory/banking/underwriting was most important to the largest BHCs with over \$10 billion in assets. Thereafter, involvement in those activities declined substantially among the other BHCs and proxy banks. Taking their place were fiduciary income and securities brokerage commissions and fees.

Contributions of Wealth Management to Noninterest Income

Among the top 50 BHCs nationally in wealth management concentration (i.e., wealth management income as a percent of noninterest income) in 2014, the median Wealth Management Concentration Ratio was 52.4%. Among the top 50 small banks in wealth management concentration that are serving as proxies for small BHCs, the median Wealth Management Concentration Ratio was 60.0% of noninterest income.

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About Sorrento Pacific Financial, LLC: Established in 2005, [Sorrento Pacific Financial, LLC](#) (Member [FINRA/SIPC](#)) is a full-service broker dealer offering customized investment and insurance solutions, training and program development support to the banking industry. Headquartered in San Diego, CA, SPF works with banks throughout the country, providing expertise in key areas including retirement services, wealth management, and fee-based and insurance products for both individuals and business customers, and provides a fully-electronic account management system for advisors. For more information, call toll-free 888.805.5585, extension 7916 or 4410, or visit www.sorrentopacific.com.

Michael White Associates (MWA): 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 *Sorrento Pacific-Michael White Bank Wealth Management Report*[™] measures and benchmarks the performance of bank wealth management programs. The annual *Michael White BankInsurance Fee Income Report*[™] and the *Equias Alliance / Michael White BOLI Holdings Report*[™] provide, respectively, comprehensive analyses of bank insurance brokerage income and bank-owned life insurance. 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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