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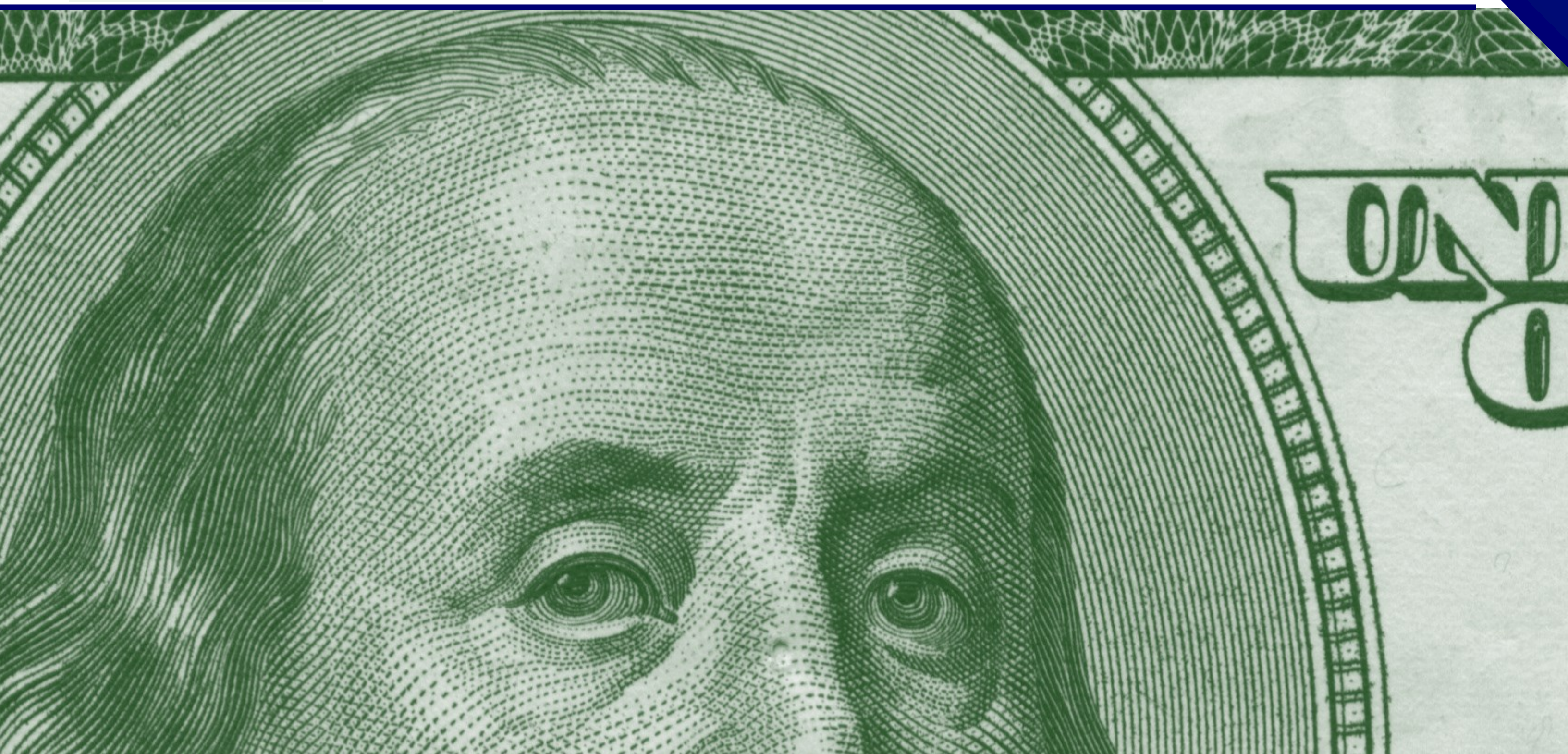
BankInsurance.com News

Michael White Associates is pleased to distribute BankInsurance.com News, a monthly publication that distills the most important news stories in the bank insurance and investment marketplace. Visit BankInsurance.com regularly for timely industry news and analysis, as well as up-to-date information about MWA consulting products and services. No other site offers as much information, knowledge and understanding of the bank insurance and investment market as www.BankInsurance.com.



Our Industry: Healthy, Wealthy and Wise?

Wealth Management Earnings Hit Record Level

Handful of Big Banks Pull Bank Insurance Income Lower

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GENWORTH TO DISCONTINUE AARP-BRANDED LTC SALES

Richmond, VA-based Genworth Financial announced it will discontinue sales of AARP-branded long-term care insurance (LTC) products offered by Genworth Life Insurance Company and Genworth Life Insurance Company of New York (Genworth) beginning June 1, 2013. Genworth said it will continue to provide "exceptional service to AARP members" who have already purchased the products or who do purchase them before June 1.

In first quarter 2013, Genworth reported LTC net operating income fell 42.9%% to $20 million, down from $35 million in first quarter 2012. Prior to these results and in an effort to counter balance what it described as the impact of lower interest rates, lower than anticipated lapse rates and an unfavorable business mix, in third quarter 2012, Genworth filed for LTC in force premium rate increases, averaging 50% or more on older generation policies and 25% or more for earlier new generation policies.

As of March 2013, the company had received approvals it anticipates will generate about $60 to $65 million of the $200 to $300 million it projects will result from approvals across the board.

Additionally, in March, Genworth suspended sales of individual LTC products in California. It has since received California Insurance Department approval for a new LTC product that it plans to launch in the third quarter. In April, the company launched a similar product (Privileged Choice Flex 2), which includes gender pricing for single applicants and blood and lab underwriting requirements for all applicants, in 31 states.

LIFE & DISABILITY INSURANCE DOMINATE RISING U.S. WORKSITE VOLUNTARY SALES

U.S. worksite voluntary insurance sales based on premium rose 6.6% in 2012 to $6.03 billion, up from $5.66 billion in 2011, according to Avon, CT-based Eastbridge's *U.S. Worksite/Voluntary Sales Report*.

Life insurance sales accounted for 25.6% of all voluntary sales, as premiums grew 11% to $1.55 billion, up from $1.40 billion in 2011. Term life sales grew 18% to account for 72% of total life sales, while combined universal and whole life sales slipped 3% to comprise 28%.

Disability insurance sales comprised 21% of worksite voluntary sales, growing almost 14% to $1.26 billion, up from $1.11 billion in 2011. Short-term disability comprised 66% of that total, down from 70% in 2011, while long-term disability sales climbed 29% to comprise 34%.

Accident insurance sales grew 12% to $844.2 million to comprise 14% of voluntary sales, while hospital indemnity/supplemental medical insurance dropped 17% to $603 million to comprise 10%. Cancer sales rose 3% to $437 million to comprise 7.2% of voluntary sales, and critical illness sales climbed 17% to $294 million to comprise 4.9%.

Overall, group sales grew 9% to dominate 56% of worksite voluntary sales ($3.38 billion), while individual sales rose 4% to $2.65 billion to comprise 44%, Eastbridge found.

REGISTERED INVESTMENT ADVISORS GAIN ASSET SHARE

U.S. registered investment advisor (RIA) assets are expected to comprise 25% of investment management industry assets by year end 2014, according to research conducted by Boston, MA-based Cerulli Associates. Cerulli Associates Associate Director Tyler Cloherty said, "The RIA channel's growth has outpaced the industry and is drawing increased interest by asset managers." As a result, Cloherty said, "Asset managers are expanding resources dedicated to the channel and anticipate future growth."

In 2012, RIA and dually registered representatives accounted for 18.6% of market share. That percentage rose to 20.1% in 2011 and continued up to 21.6% in 2012, according to *The Cerulli Report: State of the RIA Marketplace 2012: Sizing, Product Trends and Distribution Opportunities*.

HSBC TO SELL STAKE IN HANA HSBC LIFE TO PARTNER

London-based HSBC Holdings unit Hong Kong-based HSBC Insurance (Asia-Pacific) Holdings has agreed to sell its 50% minus one share stake in Seoul, South Korea-based, $2.47 billion-assets Hana HSBC Life Insurance Company (Hana HSBC Life) to Seoul-based Hana Financial Group, its joint partner in that venture. HSBC said the sale fits with its strategy to focus on its Korean Global Banking and Markets business.

SCOTTISH CRUISE LINE INSURED AGAINST NESSIE

Inverness, Scotland-based Jacobite Cruises has purchased a $1.5 million policy to protect its three cruise lines from potential damage caused by the Loch Ness monster (Nessie). The cruise lines' owner said, "How silly would we look if it [monster-related damage] did occur and we weren't covered for it?"

Nessie was allegedly first sighted in 1933. Inverness-based Towergate Moray Firth sold Jacobite Cruises its protection from her, *businessinsurance.com* reports.

UNIVEST ACQUIRES HOMETOWN P&C AGENCY

Souderton, PA-based, $2.3 billion-asset Univest Corporation of Pennsylvania (Univest), through its Lansdale, PA-based unit Univest Insurance, has acquired the John T. Fretz Insurance Agency, a personal and commercial property and casualty brokerage with offices in Souderton and Lansdale. Univest Chairman and CEO William Aichele said, "Growth of the Univest Insurance business through acquisition is part of our long-term strategy to diversify our business, giving consumers and businesses in the region convenient access to a complete range of financial solutions from one company." Univest Insurance President Ronald Flaherty added, "While this is Univest's seventh insurance acquisition since 1999, this is only the second agency located in Univest's core market."

The Fretz Agency has begun operating as Univest Insurance, and its employees are relocating to Univest Insurance's current Lansdale office and to a new Souderton location.

In 2012, Univest's reported $8.8 million in insurance brokerage fee income, which comprised 22.0% of its noninterest income and 7.8% of its net operating revenue. The company ranked 17th in insurance brokerage income among U.S. bank holding companies with assets between $1 billion and $10 billion, according to the Michael White Bank Insurance Fee Income Report, sponsored by *Dowling Hales*.

U.S. INDIVIDUALLY UNDERWRITTEN LIFE INSURANCE APPLICATIONS DROP IN APRIL

U.S. applications for individually underwritten life insurance declined 4.7% in April compared to April 2012 and dropped 14.5% from March activity, driving year-to-date applications down 1.8% compared to the same period in 2012, according to the *MIB Life Index*.

April applications among individuals aged 0-44 declined 5.6% compared to April 2012, and applications among individuals aged 45-59 decreased almost an equal amount (-5.4%), while applications among individuals aged 60 and older ticked down 0.5%, together marking the lowest composite index recorded in 10 years. Year-to-date applications among individuals aged 45-59 declined the greatest (-3.5%) followed by those among individuals aged 0-44 (-1.8%) and individuals aged 60 and older (-0.4%), Braintree, MA-based MIB Group found.

U.S. COMPOSITE COMMERCIAL P&C RATES RISE 5%

The U.S. composite rate index for commercial property-casualty and professional liability insurance rose 5% in April compared to April 2012, according to Dallas, TX-based MarketScout. MarketScout CEO Richard Kerr said, "The general direction of rates will be upward, unless new capacity enters the market." He added, "The recent movements of Berkshire Hathaway could affect the market if the plan is to enter the primary property and casualty market in a meaningful way."

April rates by coverage class were up across the board, led by 6% increases in commercial property and workers' compensation renewals, followed by business owner policies (BOP), umbrella excess, and commercial auto (+5%); general liability (+4%); business interruption, inland marine, professional liability, directors and officers liability, fiduciary and crime (+3%); and employment liability practices insurance (EPLI) and surety (+2%).

Renewal rates by account size also rose across the board, with medium account ($25,0001-$250,000) renewals climbing 6%, while small account (up to $25,000) and large account ($250,001-$1 million) renewals grew 5% and jumbo account renewals rose 3%.

Manufacturers experienced the greatest renewal rate increases among all industry classes (+7%), followed by contractors and companies in the servicing, transportation and habitational industries (+5%); while public entities and companies in the energy business saw renewal rates rise 4%, MarketScout found based on pricing surveys conducted by the National Alliance for Insurance Education and Research.

WELLS FARGO ADDS PRUDENTIAL INCOMEFLEX TO COMPANY'S RETIREMENT PLANS

San Francisco-based, $1.4 trillion-asset Wells Fargo & Company has added Hartford, CT-based Prudential Retirement Insurance & Annuity Company's guaranteed lifetime income product, Prudential IncomeFlex, to the products it offers through its 3,000 defined contribution retirement plans that together cover over 3 million participants. Wells Fargo Institutional Retirement and Trust Director Joe Ready said, "Our research tells us that people are looking to their employers to offer a lifetime income option in retirement accounts." He added, "Our decision to use Prudential's Flex product took into consideration Prudential's leadership position and expertise in the guaranteed income space, evident in a market where their solution is already available in over 7,000 defined contribution plans."

Prudential Retirement has $299.4 billion in retirement account assets. It's parent, Newark, NJ-based Prudential Financial, manages about $1.06 trillion in assets.

RBC WEALTH MANAGEMENT RANKS FIRST IN INVESTOR SATISFACTION

Minneapolis, MN-based RBC Wealth Management, a division of New York City-based RBC Capital Markets, ranks first in investor satisfaction among full service U.S. brokerage firms, according to the *J.D. Power & Associates 2013 Full Service Investor Satisfaction Study*. The study measures satisfaction with investment advisors, portfolio performance, account information, account offerings, commissions and fees, website and problem resolution.

RBC Wealth Management achieved a score of 820 out of a possible 1,000 points, improving its performance in 2012 by 6.5% from a score of 770 in 2011. RBC Wealth Management (U.S.)

CEO John Taft said, "We believe achieving this ranking … reflects our steadfast dedication to putting the interests of our clients first and speaks to our deep commitment of being responsible stewards of the assets our clients entrust to our care."

RBC Wealth Management has more than $235 billion in assets under administration. Its approximately 2,000 advisors operate in 200 offices across 42 states.

SEC CHARGES HARRISBURG, PA WITH SECURITIES FRAUD

The U.S. Securities and Exchange Commission (SEC) has charged Harrisburg, PA with securities fraud for allegedly making misleading State of the City addresses and for releasing "inaccurate and stale" financial statements tied to its efforts to raise money to upgrade a trash incinerator. Because the city did not release annual financial statements and information regarding, among other facts, its interest payment delinquencies, consumers had only "inaccurate information" to rely on in making Harrisburg-related investments, the SEC said.

Harrisburg, which is under receivership, agreed to settle the SEC charges without admitting or denying the charges, *businessinsurance.com* reports.

HSBC INSURANCE TO SELL MACAO INSURANCE BUSINESS TO QBE INSURANCE (INTL)

London, England-based, $2.69 trillion-asset HSBC Holdings subsidiary, Hong Kong-based HSBC Insurance (Asia-Pacific) has agreed to sell its HK$6.97 million (US$900,000) general insurance business in Macao to Sidney, Australia-based QBE Insurance (International). Additionally, HSBC Holdings unit, Hong Kong-based Hongkong & Shanghai Banking Corporation, has entered into a nonexclusive bancassurance agreement with QBE to distribute QBE's general insurance products through its banks in Macao.

The sale of the Macao insurance business to QBE is expected to be completed in the first half, pending regulatory approval.

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WHILE HANDFUL OF BIG BANKS STUMBLE, MOST GROW INSURANCE BROKERAGE INCOME

Bank holding companies (BHCs) tallied $6.20 billion in insurance brokerage fee income in 2012, down 19.5% from $7.70 billion for the same period in 2011, according to the *Michael White Bank Insurance Fee Income Report*. Of 1,053 large top-tier BHCs, 665 or 63.2% engaged in insurance brokerage activities in 2012.

The decline in insurance brokerage income in 2012 was attributable generally to a dozen big banks with more than $10 billion in assets that collectively accounted for a decline of $2.03 billion in insurance brokerage income. Had they not suffered that decline, BHC insurance brokerage income would have increased nearly 7.0%. More specifically, two BHCs, Citigroup, Inc. (NY) and Bank of America Corporation (NC), accounted for most of the industry's reverse with a combined drop of over $1.5 billion in insurance brokerage income. That figure accounted for the difference between 2012 and 2011 insurance brokerage revenues.

Compiled by Michael White Associates (MWA), this report measures and benchmarks the banking industry's performance in generating insurance brokerage and underwriting fee income. Results are based on data from all 7,083 commercial banks, savings banks and savings associations and 1,053 large top-tier bank holding companies and thrift holding companies (defined as those BHCs with consolidated assets of $500 million or greater) based upon financial information reported as of December 31, 2012. Certain thrift holding companies, such as those that are historically insurance companies, have been excluded from this report in order to better understand the insurance performance of financial institutions that historically have engaged in significant banking activities. Bank holding company insurance brokerage fee income consists of commissions and fees earned by a bank holding company or its subsidiary from insurance product sales and referrals of credit, life, health, property, casualty, and title insurance.

"We found real progress in the expansion of insurance revenues among most BHCs that were more significantly committed to insurance brokerage in 2012. We examined 160 BHCs in 2012 and 154 BHCs in 2011 that earned a minimum of $1 million in insurance brokerage reve-

TOP 12 BANK HOLDING COMPANIES IN INSURANCE BROKERAGE FEE INCOME YEAR-END DECEMBER 31, 2012 - NATIONALLY

RANK	INSURANCE BROKERAGE FEE INCOME 2012	INSURANCE BROKERAGE FEE INCOME 2011	% CHANGE	BANK HOLDING COMPANY		ASSETS	% OF NONINT. INCOME
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	$1,556,000	$1,617,000	-3.77%	Wells Fargo & Company	CA	$1,422,957,000	3.67%
2	$1,246,403	$936,072	33.15%	BB&T Corporation	NC	$183,869,842	34.02%
3	$1,171,000	$2,141,000	-45.31%	Citigroup Inc.	NY	$1,864,339,000	5.80%
4	$179,000	$210,000	-14.76%	American Express Company	NY	$153,255,000	0.67%
5	$124,000	$132,000	-6.06%	The Goldman Sachs Group	NY	$937,961,000	0.41%
6	$108,563	$105,216	3.18%	Regions Financial Corp.	AL	$121,347,388	5.18%
7	$99,000	$344,000	-71.22%	Morgan Stanley	NY	$780,960,000	0.39%
8	$90,592	$87,351	3.71%	BancorpSouth, Inc.	MS	$13,401,898	36.85%
9	$90,047	$139,489	-35.45%	Discover Financial Services	IL	$73,232,533	4.52%
10	$77,409	N/A	N/A	First Command Financial Svcs	TX	$857,222	38.83%
11	$70,860	$65,692	7.87%	First Niagara Financial Group	NY	$36,894,648	21.24%
12	$68,800	$66,709	3.13%	Huntington Bancshares Inc.	OH	$55,766,562	6.50%

SOURCE: Michael White Bank Insurance Fee Income Report nues. At year's end, 116 of these BHCs, or 72.5% of the group of 160, showed some level of positive growth in their insurance brokerage income, up 33.3% from 87 BHCs, or 56.5%, of the group of 154 in 2011," said Michael White, President of MWA.

Robert Seda, President of Dowling Hales who is a sponsor of the report, continued: "Many bank holding companies that have built or acquired insurance brokerages experienced double-digit increases in brokerage income, signaling an improvement in the financial health of their agencies, specifically those agencies focused in the property and casualty sector. At Dowling Hales, we continue to see a strong interest in acquiring insurance brokerages; and, for many banks, it remains a compelling strategy for generating impressive returns." Also, Mr. Seda pointed out that "sellers of Main Street brokers continue to be attracted to bank holding companies for the natural cross selling it presents while letting the owner retain operational autonomy."

In 2012, Wells Fargo & Company (CA) topped the leader board with insurance brokerage earnings of $1.56 billion. BB&T Corporation (NC), which owns more agencies than any other financial holding company, ranked second nationally with $1.25 billion; and Citigroup Inc. (NY), whose insurance income dropped by $970 million, ranked third with $1.17 billion in insurance brokerage revenue.

Bank holding companies over $10 billion in assets continued to have the highest participation (79.8%) in insurance brokerage activities. These BHCs produced $5.29 billion in insurance fee income in 2012, down 24.0% from the $6.96 billion they produced in 2011. These large bank holding companies accounted for 85.4% of all BHC insurance brokerage fee income earned in 2012 and, as noted, a few represented a decline of over $2 billion in brokerage revenues.

Among BHCs with assets between $1 billion and $10 billion, leaders in insurance brokerage income in 2012 included Eastern Bank Corporation (MA), Stifel Financial Corp. (MO), Old National Bancorp (IN), Trustmark Corporation (MS), and Johnson Financial Group, Inc. (WI). Participating in insurance brokerage at a rate of 64.1%, BHCs of this size registered a 13.1% increase in insurance brokerage income to $686.1 million in 2012, up from $606.6 million in 2011.

Among BHCs with assets between $500 million and $1 billion, leaders were First Command Financial Services (TX), Two Rivers Financial Group, Inc. (IA), Oneida Financial Corp. (NY), Texas Independent Bancshares, Inc. (TX), and Evans Bancorp, Inc. (NY). As a group, BHCs of this size experienced a 65.9% increase year-over-year in their insurance brokerage income, most of it due to new reporting by the thrift First Command Financial Services. Excluding First Command, BHCs of this size still had a respectable 8.1% increase in insurance brokerage income.

The smallest community banks, with assets less than $500 million, were used as "proxies" for the smallest BHCs, which are not required to report insurance brokerage income. Leaders among bank proxies for small BHCs were Soy Capital Bank and Trust Company (IL), Benchmark Bank (TX), Hoosac Bank (MA), First State Bank (IA), and Deutsche Bank

Trust Company Delaware (DE). These small banks, representing small BHCs, registered a 4.0% increase in insurance brokerage income, rising from $165.7 million in 2011 to $172.3 million in 2012.

Among the top 50 BHCs nationally in insurance brokerage concentration (i.e., insurance brokerage income as a percent of noninterest income), the mean Insurance Brokerage Concentration Ratio was 42.0%. Among the top 50 small banks in insurance brokerage concentration that are serving as proxies for small BHCs, the mean Insurance Brokerage Concentration Ratio was 70.3% of noninterest income.

Among the top 50 BHC leaders in insurance brokerage productivity (i.e., insurance brokerage income per BHC employee), the mean Insurance Brokerage Productivity Ratio was $20,479 per BHC employee. Among the top 50 small banks in insurance brokerage productivity, the mean Insurance Brokerage Productivity Ratio was $32,605 per bank employee.

To acquire the newly released *Michael White Bank Insurance Fee Income Report* sponsored by Dowling Hales, click here.

PEOPLES BANCORP EXPANDS EMPLOYEE BENEFITS LINE WITH PURCHASE OF 2 AGENCIES

Marietta, Oh-based, $1.9 billion-asset Peoples Bancorp unit Peoples Insurance Agency has purchased Jackson, OH-based Freedom Choice Benefits Group and Jackson Insurance Brokerage. The two acquired agencies with their 5 agents and $725,000 in annual commission revenue complement Peoples' April 2013 purchase of Jackson-based McNelly Insurance & Consulting Agency. Peoples President and CEO Chuck Sulerzyski said, "Insurance is a key component in our financial services offering. With these acquisitions our employee benefits line is gaining additional top-notch expertise that will help us grow our practice across this footprint."

The three Jackson agencies operate from the same Jackson office, and Jackson Insurance operates an additional office in Chillicothe. Together, the three agencies are expected to add nearly $1.2 million in annual insurance revenue to Peoples' insurance operations. Sulerzyski said, "The transactions reflect our focus on growth through acquisitions and maintaining a diversified revenue stream."

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In 2012, Peoples Bancorp reported $9.84 million in insurance brokerage fee income, which comprised 28.3% of its noninterest income and 11.0% of its net operating revenue. The company ranked 15th in insurance brokerage income among U.S. bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White Bank Insurance Fee Income Report*, sponsored by Dowling Hales.

METLIFE TO ACCESS CRUMP LIFE BROKERAGE SERVICES

New York City-based MetLife and Roseland, NJ-based Crump Life Insurance Services have entered into a relationship whereby Crump will provide sales support, underwriting, technology and brokerage services to MetLife's financial advisors. MetLife Senior Vice President Paul La Piana said, "Crump's insurance resources will provide our financial professionals with access to the industry's top multi-carrier distribution platform." Crump Life Services President Brian Winikoff said, "MetLife is one of our leading carrier partners for product distribution, and is also a client of our RiskRighter underwriting summary platform. Adding this significant new dimension – brokerage services to MetLife's advisors – further strengthens the partnership between our organizations."

BENEFIT BROKERS ACCOUNT FOR 56% OF VOLUNTARY WORKSITE SALES

Benefit brokers accounted for 56% ($3.38 billion) of the total $6.03 billion in U.S. voluntary worksite sales in 2012, according to Eastbridge's *2012 U.S. Worksite Voluntary Sales Report*. Career agents ranked second with 21% ($1.25 billion), followed by classic brokers (13.6% or $822.9 million), worksite specialists (8.0% or $483.3 million) and occasional producers (1.5% or $88.7 million).

Benefit brokers also registered the greatest increase in sales among all producers (+8%). Career agents and worksite specialists tied for second with 6% growth, while classic brokers and occasional producers increased their sales, respectively, 3% and 2%. No producer group recorded a decrease in sales, Avon, CT-based Eastbridge Consulting Group found in its survey of 65 carriers.

POSITIVE BUSINESS CULTURES GET POSITIVE RESULTS

Businesses that communicate a strong sense of positive socio-economic purpose get positive results, according to the annual *Deloitte Core Beliefs and Culture Survey*. More than three-fourths (79%) of their employees are strongly satisfied with their job, and nearly all (94%) believe their companies' customers are strongly satisfied. Almost the same percentage believe their firms have a distinct brand that stands out among their competitors (91%), historically have performed well financially (91%), and have performed well financially over the past year (90%). In fact, 85% of executives and 61% of other employees at these businesses say they chose their workplace because of that organization's sense of purpose.

In contrast to employees of firms that have a strong sense of positive purpose, only 19% of employees of organizations that do not communicate a strong sense of positive socio-economic purpose say they are strongly satisfied, with their jobs, and just 63% believe their firms' customers are satisfied. Sixty-one percent (61%) believe their firms have a distinct brand that stands out among competitors; 66% believe their companies have performed well historically; 65% say their companies have performed well over the past year, New York City-based Deloitte found.

Commenting on the survey results, Deloitte Chairman Punit Renjen said, "As leaders we need to focus more on the impact our organization creates rather than the profit we make. Measurements such as revenue and profit fail to capture the full picture." He added, "A culture of purpose ensures that management and employees alike see what their company does for clients, people, communities and society as a reasons to go to work every day."

WEALTH MANAGEMENT EARNINGS AT BHCS HIT RECORD $122.3 BILLION

Bank holding companies (BHCs) tallied a record $122.3 billion in wealth management income in 2012, up 3.3% from $118.4 billion in 2011, according to the new *Michael White-IPI Bank Wealth Management Report*. Of 1,053 large top-tier BHCs, 579 or 55.0% engaged in wealth management activities in 2012.

Fourth-quarter 2012 wealth management revenue was the highest on record in the 24 quarters since it became measurable in first quarter 2007. Fourth-quarter BHC wealth management income jumped 24.7% to $32.56 billion from $26.11 billion in fourth quarter 2011; and it rose from the prior third quarter 2012 by 13.7% from $28.63 billion.

The report, which is compiled by Michael White Associates (MWA) and sponsored by Investment Professionals, Inc. (IPI), 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 7,083 commercial banks, savings banks and savings associations and 1,053 large top-tier bank holding companies operating on December 31, 2012.

These BHCs achieved adjusted mean wealth management program fee income of $122.58 million in 2012. Their median investment program income was $1,635,000, up 6.3% from $1,537,500 in median program income in 2011. Top quartile performance in 2012 began at $5,991,000, up 17.5% from the $5,098,000 starting point for top-quartile BHC investment program revenue at the end of 2011.

At a time when other bank revenues are down and the release of loan loss reserves are used to re-establish profitability, wealth management stands out as one of those natural businesses for banks.

"In conducting wealth management activities, banks help preserve, grow, distribute and administer assets and income for families, businesses and nonprofits," said Jay McAnelly, President of IPI. "Declines in bank revenues, such as service charges on deposit accounts, are offset by wealth management income. Client relationships are enhanced and retained. The large jump in banks and BHCs' wealth management revenue in fourth quarter 2012 reflects the extensive opportunity wealth management presents to financial institutions."

TOP 5 LEADERS IN WEALTH MANAGEMENT INCOME IN 2012

BANK HOLDING COMPANIES OVER $10 BILLION IN ASSETS	1 JPMorgan Chase & Co. (NY) 2 Morgan Stanley (NY) 3 Bank of America 4 The Goldman Sachs Group, Inc. (NY) 5 Wells Fargo & Co. (NY)
BANK HOLDING COMPANIES $1 BILLION - $10 BILLON IN ASSETS	1 Stifel Financial Corp. (MO) 2 Wedbush, Inc. (CA) 3 Corporation (NC) SWS Group, Inc. (TX) 4 Boston Private Financial Holdings, Inc. (MA) 5 Santander Bancorp (PR)
BANK HOLDING COMPANIES $500 MILLION - $1 BILLION IN ASSETS	1 First Command Financial Services, Inc. (TX) 2 First National Bankers Bankshares (LA) 3 United Bankers'Bancorporation (MN) 4 First Bankers Trustshares, Inc. (IL) 5 First Kansas Bancshares, Inc. (KS)
SMALL BANK 'PROXIES' UNDER $500 MILLION IN ASSETS	1 The Haverford Trust Company (PA) 2 Essex Savings Bank (CT) 3 Soy Capital Bank and Trust Company (IL) 4 Ledyard National Bank (VT) 5 Delta Trust & Bank (AR)

SOURCE: *Michael White - IPI Bank Wealth Management Report*

Leaders in Wealth Management

The table entitled "Top 5 Leaders in Wealth Management Income in 2012" lists leaders in the three traditional BHC assets classes: over $10 billion in assets, between $1 billion and $10 billion in assets, and between $500 million to $1 billion in assets. A fourth asset class includes the smallest community banks, those with assets less than $500 million, which are used as "proxies" for the smallest BHCs, which are not required to report wealth management income and its line items components.

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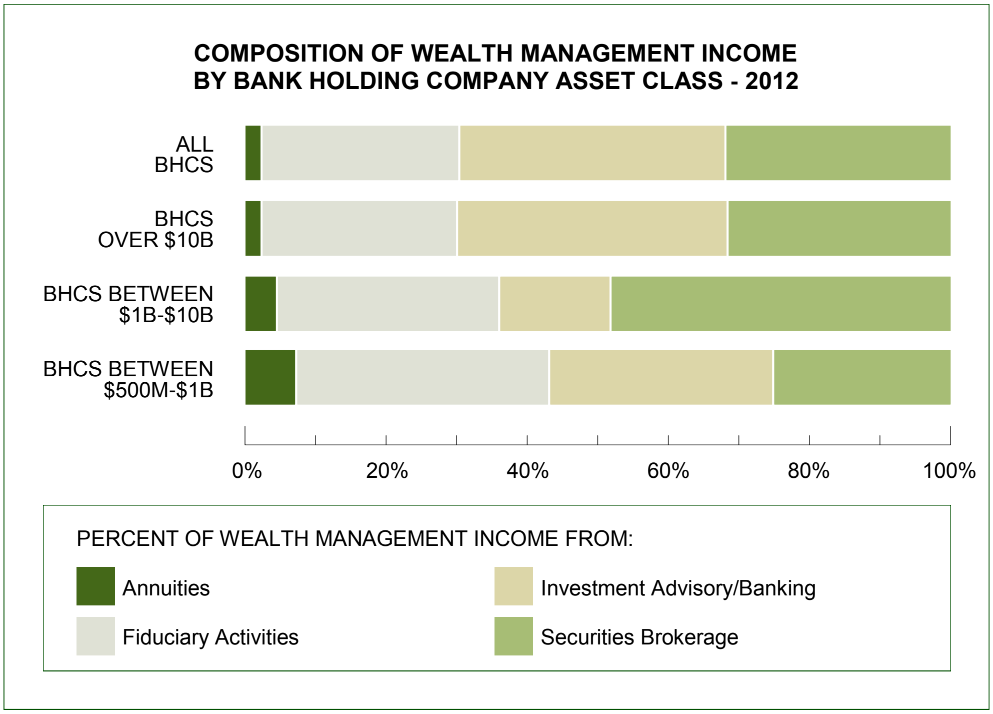


SOURCE: Michael White - IPI Bank Wealth Management Report

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 579 BHCs reporting wealth management income, 117 BHCs or 20.2% reported earnings in each of the four component revenues constituting wealth management.

Securities brokerage fees and commissions represented $39.25 billion or 32.1% of total BHC wealth management income in 2012, up 6.6% from $36.81 billion in 2011.

Three hundred seventy-three (373) BHCs or 64.4% of the 579 wealth management programs reported annuity income of $3.09 billion in 2012, up 10.6% from $2.79 billion in 2011. Annuity income constituted 2.5% of total wealth management income in 2012 and was the smallest contributor to overall wealth management income.

Wealth Management Program Growth

Despite the modest industry-wide growth in wealth management, many programs registered increases in 2012 over 2011. Of all 579 BHC wealth management programs, 425 (73.4%) earned a minimum quarter-million dollars in 2012. Of those 425, 304 (71.5%) showed some level of positive growth in wealth management income over 2011, with 138 programs (32.5%, down from 43.1% in 2011) exhibiting double-digit growth and 70 programs (16.5%, down from 21.1% in 2011) achieving 20%+ growth.

Among those 119 BHCs (28.0%, up from 22.0% in 2011) whose wealth management income declined in 2011, 76 (17.9%, up from 13.6%) experienced single-digit declines and 43 BHCs (10.1%, up from 8.4%) had declines in excess of 10%, with 15 of those experiencing decreases of 20% or more. By and large, BHCs reported similar declines in revenue among banks that earned a quarter-million dollars or more of wealth management income.

"Our growth analysis shows that a number of BHCs that had modest wealth management programs expanded them significantly through acquisition, recruitment or both," said Michael White, President of MWA.

TOP 12 BANK HOLDING COMPANIES WITH THE FASTEST GROWING WEALTH MANAGEMENT INCOME IN 2012

RANK	WEALTH MANAGEMENT INCOME 2012	WEALTH MANAGEMENT INCOME 2011	% CHANGE	BANK HOLDING COMPANY		ASSETS	% OF NONINT. INCOME
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	$1,832	$60	2,953.3%	Brookline Bancorp, Inc.	MA	$5,147,534	10.58%
2	$382	$31	1,132.3%	Piedmont Community Bank H	NC	$1,089,807	3.56%
3	$2,969	$461	544.03%	Park Sterling Corporation Nc	NC	$2,034,160	27.86%
4	$1,887	$368	412.77%	Certusholdings, Inc.	GA	$1,822,419	4.22%
5	$668	$152	339.47%	Industry Bancshares, Inc.	TX	$2,188,750	6.07%
6	$9,253	$2,442	278.91%	Cadence Bancorp Llc	TX	$5,730,170	17.94%
7	$2,757	$767	259.45%	Prosperity Bancshares, Inc.	TX	$14,601,394	3.75%
8	$438	$189	131.75%	Northfield Mhc	VT	$729,783	10.16%
9	$433	$198	118.69%	Meridian Financial Services	MA	$2,411,873	2.79%
10	$283	$140	102.14%	Summit Bancorp, Inc.	AR	$1,162,899	3.95%
11	$1,484	$747	98.66%	Home Bancshares, Inc.	AR	$4,242,130	3.23%
12	$357	$194	84.02%	Bridge Bancorp, Inc.	NY	$1,622,874	4.51%

BHCs ranked by program income growth had at least $250,000 in wealth management income in 2012.
SOURCE: Michael White - IPI Bank Wealth Management Report

Three hundred seventy-four (374) BHCs or 64.6% of all wealth management programs reported income from fiduciary activities of $33.99 billion in 2012, down 1.1% from $34.36 billion in 2011. Fiduciary income constituted 27.8% of total wealth management income in 2012.

One hundred eighty-two (182) BHCs or 31.4% of wealth management programs reported investment advisory and banking income of $45.98 billion in 2012, up 3.5% from $44.41 billion in 2011. Investment advisory and banking income constituted the largest contributor to wealth management income with a share of 37.6% in 2012.

Contribution of Wealth Management Components by BHC Asset Class

Whereas investment advisory/banking income was the number one contributor (38.2%) by the largest BHCs to their wealth management income, third-ranked fiduciary income (28.9%) ranked number one (74.1%) 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 ninety percent among the smaller BHCs (those under $10 billion in assets), ranking fourth or last.

Mid-size BHCs (between $1 billion and $10 billion in assets) generated most of their wealth management income in 2012 from securities brokerage (48.3%) and fiduciary activities (31.5%). The smaller BHCs (assets between $500 million and $1 billion) tended to mirror most of the smaller banks in that fiduciary income resumed its number one ranking (48.1%), and investment advisory, banking and underwriting took second-place (31.7%) finish as a result of a new filing by one thrift holding company, which accounted for over 93% of its increase from a 15.2% share the smaller BHCs' wealth management income in 2011.

For purposes of comparing the smallest BHCs, i.e., those with assets less than $500 million, 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 replicated the results of small banks, mainly because the small banks tended to hold the subsidiary activity as a subsidiary so the income reported up to the bank, and, if there was any holding company, up to the BHC.)

The bottom line findings of component contributions to BHC wealth management income are these: In 2012, investment advisory/banking was most important to the largest BHCs, those over $10 billion in assets. Thereafter, involvement in those activities dropped off substantially among the other BHC and proxy bank asset classes. Taking its place were fiduciary-related 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 2012, the median Wealth Management Concentration Ratio was 59.6%. 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 65.9% of noninterest income.

To get a copy of the *Michael White - IPI Bank Wealth Management Report*, click here.

PALMETTO BANK PARTNERS WITH IPI TO GROW WEALTH MANAGEMENT PROGRAM

Greenville, SC-based, $1.1 billion-asset The Palmetto Bank, a Palmetto Bancshares unit, has agreed to partner with San Antonio, TX-based Investment Professionals, Inc. (IPI) to offer wealth management services to its customers. Palmetto has additionally entered into a separate agreement with IPI and Thomasville, GA-based, $518.5 million-asset Thomasville National Bank (TNB) "to enhance the delivery of brokerage and trust services." Palmetto Bank President and CEO Samuel Erwin said, "The Palmetto Bank has been continuously evolving and adapting over our 106-year history." The agreed-to partnerships pact, he said, are part of "our go-forward wealth management strategy. We are all committed to serving our existing and future clients through local trust officers of TNB and financial advisors of IPI conveniently located in our offices in the Upstate of South Carolina."

As of the end of first quarter 2013, The Palmetto Bank's wealth management unit had $460 million in assets under manage-

ment. IPI Chairman Scott Barnes said IPI expects to help Palmetto increase those assets "by offering increased branch coverage, enhanced client products and services and seamless interaction between traditional trust and brokerage."

IPI currently manages more than $6 billion in investment program assets partnering with more than 150 financial institutions in 26 states.

BNY MELLON WEALTH MANAGEMENT TO INCREASE SALES FORCE BY 50%

New York City-based, $356.0 billion-asset The Bank of New York Mellon Corp. (BNY Mellon) has launched a two-year recruiting campaign to bolster BNY Mellon Wealth Management's sales force by 50% and increase the number of private bankers, mortgage bankers, portfolio managers and wealth strategists and sales support staff at the unit. BNY Mellon Wealth Management described the launch as part of the unit's multi-year strategy to grow its presence and capabilities in the U.S. and globally. BNY Mellon CEO Larry Hughes said, "We intend to establish a powerful presence in the top-tier U.S. wealth markets and continue to make headway in key global markets as well." BNY Mellon Investment Management CEO Curtis Arledge added, "We are dedicating substantial resources toward strengthening wealth management's global distribution and team."

In the past four years, BNY Mellon Wealth Management has made acquisitions in Toronto and Chicago, opened new offices in Dallas, Washington and the Cayman Islands and added two offices to its previously 5 Florida locations. By yearend 2012, the BNY Mellon unit was managing a record $188 billion in client assets. Parent BNY Mellon had $26.3 trillion-assets under custody and/or administration and $1.4 trillion in assets under management.

U.S. ANNUITY SALES DOWN 6%

U.S. annuity sales in the first quarter fell 6% to $51.7 billion, down from $55 billion in first quarter 2012, reflecting an 11% drop in fixed annuity sales to $16.2 billion, down from $18.1 billion, and a 4% decline in variable annuity sales to $35.5 billion, down from $36.9 billion, according to a LIMRA survey of 58 companies traditionally responsible for 94% of total U.S. annuity sales.

Fixed accounts led the decline among variable annuities, falling 10% to $6.9 billion, down from $7.7 billion in first quarter 2012, while separate accounts, which dominated 80.6% of all variable annuity sales, slipped 2% to $28.6 billion, down from $29.2 billion.

Fixed deferred annuities remained the top selling fixed annuity product, despite falling 14% in sales to $13 billion down from $15 billion. Indexed annuities slid 4% to $7.8 billion, down from $8.1 billion to rank second. Fixed rate deferred annuity sales continued to rank third, despite dropping 25% to $5.2 billion, down from $6.9 billion. Book value annuities (-26% to $4.2 billion) ranked fourth, followed by fixed immediate (-6% to $1.7 billion), structured settlements (flat at $1.1 billion), market value adjusted annuities (-23% to $1 billion), and deferred income annuities (+147% to $400 million).

Commenting on the results of the *2013 U.S. Individual Annuity Sales* survey, LIMRA Director of Annuity Research Joseph Montminy said, "In many ways, the current market is more challenging to many annuity manufacturers than the recent financial crisis."

FINRA FINES LPL FINANCIAL $7.5 MILLION FOR EMAIL FAILURES

The Financial Industry Regulatory Authority (FINRA) has fined Boston, MA-based LPL Financial $7.5 million for what it described as "35 separate, significant email system failures" and for making "material misstatements to FINRA during its investigation of the firm's email failures." FINRA additionally ordered LPL to establish a $1.5 million fund to compensate brokerage customers affected by its email failures and to notify those customers of the settlement and the fund.

FINRA found that, beginning in 2007, LPL's email review and retention systems not only made the firm unable to properly supervise its representatives, but they also failed to produce all requested email to federal and state regulators, private litigants and customers in arbitration proceedings. FINRA Chief of Enforcement Brad Bennett said, "As LPL grew, it did not expand its compliance and technology infrastructure; and as a result, LPL failed in its responsibility to provide complete responses to regulatory and other requests for emails."

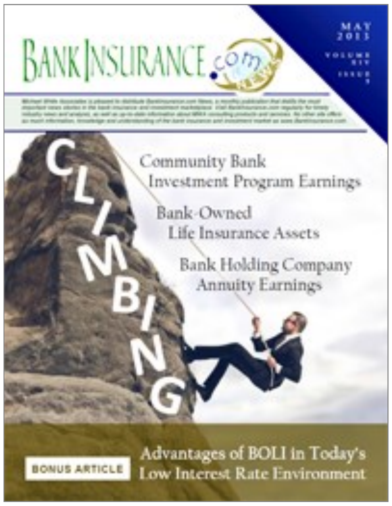
FINRA noted the following email failures at LPL: failure to supervise 28 million "doing business as" emails sent and received by representatives operating as independent contractors; failure to maintain hundreds of millions of emails during a transition to a less expensive email archive; failure to keep and review 3.5 million Bloomberg messages; failure to archive emails sent to customers through third-party advertising platforms.

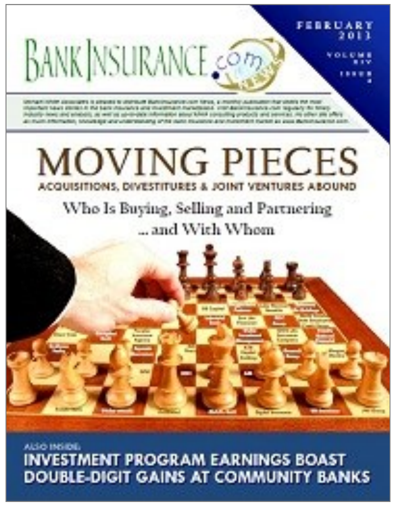
HSBC MIDDLE EAST & ZURICH INSURANCE MIDDLE EAST EXPAND EXCLUSIVE BANCASSURANCE PARTNERSHIP

Dubai, United Arab Emirates (UAE)-based HSBC Middle East and Dubai-based Zurich Insurance Middle East have entered into an exclusive 10-year bancassurance agreement whereby HSBC Middle East will distribute Zurich Insurance Middle East's personal and commercial property and casualty insurance products through its bank branches in the UAE. The agreement expands last year's exclusive 10-year bancassurance contract whereby HSB Middle East distributes Zurich's life insurance products in the UAE, Qatar and Bahrain.

HSBC Middle East Retail Banking and Wealth Management Head Francesca McDonagh said, "This new agreement means that Zurich becomes our excusive partner for the entire spectrum of insurance offering in the UAE, with other Middle east markets to follow, allowing us to provide our customers with holisitic insurance solutions catering to their every need."

The UAE's 1.8% insurance penetration rate is one of the highest in the Middle East, where those rates are among the lowest in the world. The UAE's rate is three times lower than that of Singapore and six times lower than that of the United Kingdom.





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