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N E W S R E L E A S E

## Michael White-IPI Report Brokerage, Annuities & Trust Bolster Wealth Management Income as Investment Advisory/Banking Declines through 3Q 2012

**FOR IMMEDIATE RELEASE** – Radnor, PA, and San Antonio, TX, March 13, 2013 – Bank and thrift holding companies (BHCs/THCs) tallied \$89.74 billion in wealth management income in the first nine months of 2012, down 2.7% from \$92.26 billion in the same period of 2011, according to the new *Michael White-IPI Bank Wealth Management Report*<sup>™</sup>. Of 1,061 large top-tier BHCs/THCs, 580 or 54.7% engaged in wealth management activities so far in 2012.

Third-quarter BHC wealth management income inched downward 0.1% to \$28.63 billion from \$28.67 billion in third quarter 2011; and it slid from second quarter 2012 by 6.6% from \$30.65 billion.

Compiled by Michael White Associates (MWA) and sponsored by Investment Professionals, Inc (IPI), 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 7,181 commercial banks, savings banks and savings associations (thrifts) and 1,061 large top-tier bank and thrift holding companies operating on September 30, 2012.

### TOP 12 BANK HOLDING COMPANIES WITH THE FASTEST GROWING WEALTH MANAGEMENT INCOME YEAR-TO-DATE AT END OF THIRD QUARTER 2012

R A N K	WEALTH MANAGEMENT FEE INCOME		PERCENT CHANGE 2010 - 2011	BANK HOLDING COMPANY	ASSETS	% OF NONINTEREST INCOME	
	3Q 2012	3Q 2011					
<i>(ALL DOLLAR AMOUNTS IN THOUSANDS)</i>							
1	\$1,258	\$20	6190.00%	CERTUSHOLDINGS, INC.	GA	\$1,695,629	5.56%
2	\$618	\$98	530.61%	INDUSTRY BANCSHARES, INC.	TX	\$2,106,616	7.35%
3	\$1,536	\$578	165.74%	PROSPERITY BANCSHARES, INC.	TX	\$13,723,249	3.08%
4	\$348	\$139	150.36%	NORTHFIELD MHC	VT	\$719,197	11.09%
5	\$5,171	\$2,201	134.94%	CADENCE BANCORP LLC	TX	\$5,443,800	14.54%
6	\$1,099	\$492	123.37%	HOME BANCSHARES, INC.	AR	\$3,887,909	3.59%
7	\$363	\$173	109.83%	MERIDIAN FINANCIAL SERVICES, INC	MA	\$2,352,548	2.73%
8	\$206	\$100	106.00%	SUMMIT BANCORP, INC.	AR	\$1,172,338	3.60%
9	\$201	\$103	95.15%	COMMUNITY BANCORP, INC.	KS	\$802,253	4.48%
10	\$655	\$339	93.22%	VALLEY FINANCIAL CORPORATION	VA	\$785,292	24.64%
11	\$705	\$388	81.70%	ACCESS NATIONAL CORPORATION	VA	\$849,348	1.83%
12	\$3,922	\$2,312	69.64%	STERLING FINANCIAL CORPORATION	WA	\$9,504,185	3.27%

BHCs with a minimum annualized wealth management income of \$250,000 in 2012 ranked by program income growth.

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

SOURCE: Michael White - IPI Bank Wealth Management Report<sup>™</sup>

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These BHCs achieved unadjusted mean wealth management program fee income of \$154.73 million in the first three quarters of 2012. Their median investment program income was \$1,157,000, down 4.6% from \$1,212,500 in median program income in three quarters of 2011. Top quartile performance in same period 2012 began at \$4,414,500, up 9.6% from the \$4,027,500 starting point for top-quartile BHC investment program revenue in three quarters of 2011.

**Wealth Management Program Growth**

Many programs registered increases in revenue through three quarters of 2012 over the same period in 2011. Of all 580 BHC wealth management programs, 424 (73.1%) were on track to earn a minimum quarter-million dollars in 2012. Of those 424 programs, 277 (63.5%) showed some level of positive growth, however slight, in wealth management income over 2011, with 127 programs (30.0%) exhibiting double-digit growth and 70 programs (16.5%) achieving 20%+ growth. These findings are slightly lower than at the end of second quarter.

Among those 146 BHCs (34.4%) whose annualized wealth management income equaled at least \$250,000 and experienced a decline in three quarters of 2012, 97 (22.9%) experienced single-digit declines and 49 BHCs (11.6%) had declines in excess of 10%, with 18 of those experiencing decreases of 20% or more.

"As an industry, investment advisory and banking activities decreased in the first nine months of 2012 compared to 2011, thereby taking overall wealth management revenues down. However, the other components of wealth management showed positive growth. Those other activities – securities brokerage, annuity sales and fiduciary activities – constituted nearly 64% of wealth management program income year-to-date through third quarter 2012 and remain mainstays for a balanced wealth management program," said Jay McAnelly, President of Investment Professionals. "The art of optimizing all components of a wealth management program in our current economy is becoming more of a key factor in the bank's overall ROA. Community bank wealth management and investment program managers especially must continue their efforts to guard and strengthen retail distribution of these essential products and services to help their banks offset declines in traditional banking revenues such as service charges and net interest margins."

**Leaders in Wealth Management**

The table entitled "Top 5 Leaders in Wealth Management Income at End of Three Quarters 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.

TOP 5 LEADERS IN WEALTH MANAGEMENT INCOME AT END OF THREE QUARTERS IN 2012				
RANK	BHCS OVER \$10 BILLION	BHCS BETWEEN \$1B - \$10B	BHCS BETWEEN \$500M - \$1B	SMALL BANK 'PROXIES' UNDER \$500M
1	Morgan Stanley (NY)	Stifel Financial Corp. (MO)	First Command Financial Services, Inc. (TX)	The Haverford Trust Company (PA)
2	JPMorgan Chase & Co. (NY)	Wedbush, Inc. (CA)	First National Bankers Bankshares (LA)	Essex Savings Bank (CT)
3	Bank of America Corporation (NC)	SWS Group, Inc. (TX)	United Bankers' Bancorporation (MN)	Soy Capital Bank and Trust Company (IL)
4	The Goldman Sachs Group, Inc. (NY)	Plains Capital Corporation (TX)	First Bankers Trustshares, Inc. (IL)	Ledyard National Bank (VT)
5	Wells Fargo & Co. (NY)	Boston Private Financial Holdings, Inc. (MA)	United Bancorp, Inc. (MI)	Delta Trust & Bank (AR)

SOURCE: Michael White - IPI 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 576 BHCs reporting wealth management income, 116 BHCs or 20.1% reported earnings in each of the four component revenues constituting wealth management.

<b>COMPONENT SHARES AS A PERCENT OF BHC WEALTH MANAGEMENT INCOME IN FIRST THREE QUARTERS OF 2012</b>				
<b>ASSET CLASS</b>	<b>ANNUITIES</b>	<b>FIDUCIARY ACTIVITIES</b>	<b>INVESTMENT ADVISORY / BANKING</b>	<b>SECURITIES BROKERAGE</b>
ALL BHCS	2.6%	28.4%	36.3%	32.6%
BHCS OVER \$10 BILLION	2.5%	28.4%	36.9%	32.2%
BHCS \$1 BILLION – \$10 BILLION	4.4%	30.0%	17.0%	48.6%
BHCS \$500 MILLION – \$1 BILLION	7.9%	35.1%	31.5%*	25.5%
SMALL BANK 'PROXIES' UNDER\$500 MILLION	10.0%	47.6%	6.5%	35.9%

\* Of the 31.5%, 19.6% was due to the introduction of one new reporting entity, a thrift holding company

SOURCE: Michael White - IPI Bank Wealth Management Report™

Securities brokerage fees and commissions represented \$29.29 billion or 32.6% of total BHC wealth management income over three quarters of 2012, up 5.8% from \$27.68 billion in same period 2011.

Three hundred seventy-three (373) BHCs or 64.3% of the 580 wealth management programs reported annuity income of \$2.31 billion in first nine months of 2012, up 2.9% from \$2.24 billion in same period 2011. Annuity income constituted 2.6% of total wealth management income in the first three quarters of 2012 and was the smallest contributor to overall wealth management income.

Three hundred seventy (370) BHCs or 63.8% of all wealth management programs reported income from fiduciary activities of \$25.53 billion year-to-date on September 30, 2012, up 1.1% from \$25.24 billion in the same period of 2011. Fiduciary income constituted 28.4% of total wealth management income so far in 2012.

One hundred eighty-five (185) BHCs or 31.9% of wealth management programs reported investment advisory and banking income of \$32.62 billion in the first three quarters of 2012, down 12.1% from \$37.10 billion in the first nine months of 2011. Investment advisory and banking income constituted the largest contributor to wealth management income with a share of 36.3% in nine months of 2012.

“While smaller than other components of wealth management, annuity revenues make a difference in most wealth management programs, particularly smaller BHCs and banks,” 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 (36.3%) by the largest BHCs to their wealth management income, third-ranked fiduciary income (28.4%) ranked number one (75.6%) 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 is much less among the smaller BHCs (those under \$10 billion in assets) and banks, ranking third.

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Mid-size BHCs (between \$1 billion and \$10 billion in assets) generated most of their wealth management income in nine months of 2012 from securities brokerage (48.6%) and fiduciary activities (30.0%). 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 and annuity income took on greater importance.

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 tracked 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 nine months of 2012, investment advisory/banking was most important to the largest BHCs, those over \$10 billion in assets. Thereafter, when the production of one thrift holding company is excluded, involvement in investment advisory/banking activities basically declined steadily and 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) year-to-date in 2012, the median Wealth Management Concentration Ratio was 56.6%. 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 57.8% of noninterest income.

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**Investment Professionals, Inc. (IPI):** Exclusively dedicated to the bank brokerage industry since its inception in 1992, IPI assists community banks throughout the country in establishing successful, profitable investment programs. Banks benefit from IPI’s expertise in all facets of bank brokerage, resulting in a program designed to meet customer needs while also generating meaningful non-interest income. Based in San Antonio, Texas, IPI provides extensive guidance in the key components of a successful program, including compliance and regulatory support, advisor recruiting, compensation design, co-branded marketing, ongoing sales management and realistic goal setting. Learn about IPI’s industry accolades by visiting [www.invpro.com](http://www.invpro.com).

**Michael White Associates (MWA):** MWA is a consulting, publishing and research firm headquartered in Radnor, PA, and online at [www.BankInsurance.com](http://www.BankInsurance.com). Produced by Michael White and Michael White Associates, LLC (MWA), the *Michael White-IPI Bank Wealth Management Report* measures and benchmarks the performance of bank wealth management programs. The annual *Michael White-Prudential Bank Insurance Fee Income Report™* and *Michael White-ABIA Bank Annuity Fee Income Report™* provide, respectively, comprehensive analyses of bank insurance brokerage and bank annuity commission income. Additionally, the *MWA Fee Income Ratings Reports™* compare, rank and rate a particular financial institution’s insurance or other noninterest fee income program nationally, regionally, statewide and in its asset-peer group. Copies of MWA reports can be ordered by calling (610) 254-0440, or by visiting [www.BankInsurance.com](http://www.BankInsurance.com).

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