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N E W S R E L E A S E

Michael White Reports Core Bank Annuity Income Slowed in 2012, Despite the Rise Resulting from New BHC Reporters

FOR IMMEDIATE RELEASE – Radnor, PA, April 16, 2013 – Sometimes, figures can be deceptive. On the one hand, income earned from the sale of annuities at bank holding companies (BHCs) rose 10.9% for the year from \$2.84 billion in 2011 to \$3.15 billion in 2012, according to the *Michael White Bank Annuity Fee Income Report*[™]. On the other hand, without the contributions of new reporters like thrift holding companies and new bank holding company Raymond James Financial, Inc. (FL), BHC annuity income declined 1.9% to \$2.79 billion in 2012.

Fourth-quarter BHC annuity commissions reached \$794.8 million, up 2.5% from \$775.1 million in third quarter 2012. They increased 37.1% from \$579.7 million earned in fourth quarter 2011.

Compiled by Michael White Associates (MWA), the report measures and benchmarks the banking industry’s performance in generating annuity fee income. Results are based on data from all 7,083 commercial banks, savings banks and savings associations (thrifts), and 1,053 large top-tier bank and thrift holding companies (collectively, BHCs) with consolidated assets greater than \$500 million operating on December 31, 2012. Thrifts and THCs began reporting annuity fee income for the first time in first quarter 2012. Several BHCs that are historically insurance or commercial companies have been excluded from the report.

**TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME
YEAR-END DECEMBER 31, 2012
Nationally**

RANK	YTD ANNUITY INCOME		PERCENT CHANGE 2011 - 2012	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME
	2012	2011					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$759,000	\$777,000	-2.32%	WELLS FARGO & COMPANY	CA	\$1,422,957,000	1.79%
2	\$621,000	\$432,000	43.75%	MORGAN STANLEY	NY	\$780,960,000	2.43%
3	\$302,294		N/A	RAYMOND JAMES FINANCIAL	FL	\$21,959,969	8.00%
4	\$255,000	\$318,000	-19.81%	JPMORGAN CHASE & CO.	NY	\$2,357,785,000	0.51%
5	\$203,004	\$244,447	-16.95%	BANK OF AMERICA CORP.	NC	\$2,205,860,866	0.50%
6	\$92,108	\$93,536	-1.53%	SUNTRUST BANKS, INC.	GA	\$173,566,088	2.68%
7	\$58,000	\$62,000	-6.45%	U.S. BANCORP	MN	\$353,855,000	0.62%
8	\$51,000	\$13,000	292.31%	CITIGROUP INC.	NY	\$1,864,339,000	0.25%
9	\$48,806	\$47,069	3.69%	BB&T CORPORATION	NC	\$183,869,842	1.33%
10	\$47,819	\$67,107	-28.74%	BBVA USA BANCSHARES, INC.	TX	\$69,105,796	6.01%

Source: *Michael White Bank Annuity Fee Income Report*

Of 1,053 large BHCs, 428 or 40.7% participated in annuity sales activities during the year. Their \$3.15 billion in annuity commissions and fees constituted 33.7% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$9.35 billion. Of the 7,083 banks, 970 or 13.7% participated in annuity sales activities, earning \$715.2 million in annuity commissions or an amount equal to 22.6% of total BHC annuity fee income.

Michael White, president of MWA and author of the report, noted, “Apart from the impact of new reporters, there were other signs of a definite decline in BHC annuity earnings momentum. Of 428 large top-tier BHCs reporting annuity fee income in 2012, 179 or 41.8% earned a minimum of \$250,000 selling annuities. Of those 179, 62 BHCs (34.6%) achieved double-digit growth in annuity fee income. That was a 30-point decline from 2011, when 120 BHCs (64.2%) that earned at least \$250,000 in annuity income achieved double-digit growth in annuity fee income. This is additional cause for concern beyond the percentage decrease, as the number of BHCs with both meaningful annuity income and double-digit growth was cut in half from 120 in 2011 to 62 in 2012.”

Two thirds (65.2) of BHCs with over \$10 billion in assets earned annuity commissions of \$2.97 billion, constituting 94.1% of total annuity commissions reported. This was an increase of 10.1% from \$2.69 billion in annuity fee income in 2011. Among this asset class of largest BHCs, annuity commissions made up 35.9% of their total insurance sales volume of \$8.25 billion, the highest proportion of insurance sales volume of any asset class. Wells Fargo & Company (CA), Morgan Stanley (NY), Raymond James Financial (FL), JPMorgan Chase & Co. (NY), and Bank of America Corporation (NC) led all bank holding companies in annuity commissions and fees in 2012.

BHCs with assets between \$1 billion and \$10 billion recorded an increase of 26.7% in annuity fee income in 2012, rising from \$123.4 million in 2011 to \$156.4 million and accounting for 18.6% of their total insurance sales volume of \$842.5 million. Among BHCs with assets between \$1 billion and \$10 billion, leaders included Stifel Financial Corp. (MO), SWS Group, Inc. (TX), First Citizens Bancorporation, Inc. (SC), Old National Bancorp (IN), and National Penn Bancshares, Inc. (PA).

BHCs with \$500 million to \$1 billion in assets generated \$29.2 million in annuity commissions in 2012, up 25.2% from \$23.3 million the year before. Only 31.4% of BHCs this size engaged in annuity sales activities, which was the lowest participation rate among all BHC asset classes. Among these BHCs, annuity commissions constituted the smallest proportion (11.6%) of total insurance sales volume of \$251.1 million. Among BHCs with assets between \$500 million and \$1 billion, leaders were First Command Financial Services, Inc. (TX), Hopfed Bancorp, Inc. (KY), Nutmeg Financial MHC (CT), Northeast Bancorp (ME), and Citizens Bancshares, Inc. (OH).

The smallest community banks, those with assets less than \$500 million, were used as “proxies” for the smallest BHCs, which are not required to report annuity fee income. Leaders among bank proxies for small BHCs were Essex Savings Bank (CT), Sturgis Bank & Trust Company (MI), FNB Bank, N.A. (PA), Firststar Bank, N.A. (OK), and The First National Bank of Elk River (MN). These small banks, representing small BHCs, registered an increase of 1.8% in annuity fee income, rising from \$35.7 million in 2011 to \$36.4 million in 2012.

Among the top 50 BHCs nationally in annuity concentration (i.e., annuity fee income as a percent of noninterest income), the median Annuity Concentration Ratio was 6.0% in 2012. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the mean Annuity Concentration Ratio was 14.8% of noninterest income.

Among the top 50 BHC leaders in annuity penetration (i.e., annuity fee income per one million dollars of core or retail deposits), the median Annuity Penetration Ratio was \$863 per million dollars of retail deposits. Among the top 50 small banks in annuity penetration, the median Annuity Penetration Ratio was \$1,318 per million dollars of core deposits.

Among the top 50 BHC leaders in annuity productivity (i.e., annuity income per BHC employee), the mean Annuity Productivity Ratio was \$2,936 per employee. Among the top 50 small banks in annuity productivity, the mean Annuity Productivity Ratio was \$5,238 per BHC employee.

Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at www.BankInsurance.com. The annual *Michael White Bank Annuity Fee Income Report*[™] and *Michael White Bank Insurance Fee Income Report*[™] provide, respectively, comprehensive analyses of bank annuity commission and bank insurance brokerage 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.

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