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N E W S R E L E A S E

## Michael White-IPI Report

### Wealth Management Income Hits Record \$122B in 2012; 4Q Also a Record High

**FOR IMMEDIATE RELEASE** – Radnor, PA, and San Antonio, TX, May 21, 2013 – 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.

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 7,083 commercial banks, savings banks and savings associations and 1,053 large top-tier bank holding companies operating on December 31, 2012.

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

| RANK                                     | WEALTH MANAGEMENT FEE INCOME |         | PERCENT CHANGE<br>2011 - 2012 | BANK HOLDING COMPANY                   |    | ASSETS       | % OF NONINTEREST INCOME |
|--|------------------------------|---------|-------------------------------|--|----|--------------|-------------------------|
|  | 2012                         | 2011    |                               |  |    |              |                         |
| <i>(ALL DOLLAR AMOUNTS IN THOUSANDS)</i> |                              |         |                               |  |    |              |                         |
| 1  | \$1,832                      | \$60    | 2,953.33%                     | BROOKLINE BANCORP, INC.                | MA | \$5,147,534  | 10.58%                  |
| 2  | \$382                        | \$31    | 1,132.26%                     | PIEDMONT COMMUNITY BANK HOLDINGS, INC. | NC | \$1,089,807  | 3.56%                   |
| 3  | \$2,969                      | \$461   | 544.03%                       | PARK STERLING CORPORATION              | 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, INC       | 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 a minimum \$250,000 in wealth management income in 2012.  
SOURCE: Michael White - IPI Bank Wealth Management Report™

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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.”

### 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.

| TOP 5 LEADERS IN WEALTH MANAGEMENT INCOME IN 2012 |                                    |  |   |   |
|---|------------------------------------|--|---|---|
| RANK  | BHCS OVER \$10 BILLION             | BHCS BETWEEN \$1B - \$10B                    | BHCS BETWEEN \$500M - \$1B                  | SMALL BANK 'PROXIES' UNDER \$500M       |
| 1   | JPMorgan Chase & Co. (NY)          | Stifel Financial Corp. (MO)                  | First Command Financial Services, Inc. (TX) | The Haverford Trust Company (PA)        |
| 2   | Morgan Stanley (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) | Boston Private Financial Holdings, Inc. (MA) | First Bankers Trustshares, Inc. (IL)        | Ledyard National Bank (VT)              |
| 5   | Wells Fargo & Co. (NY)             | Santander Bancorp (PR)                       | First Kansas Bancshares, Inc. (KS)          | Delta Trust & Bank (AR)                 |

SOURCE: Michael White - IPI Bank Wealth Management Report™

### 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.

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“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.

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.

| COMPONENT SHARES AS A PERCENT OF BHC WEALTH MANAGEMENT INCOME IN 2012 |           |                      |                               |                      |
|---|-----------|----------------------|-------------------------------|----------------------|
| ASSET CLASS   | ANNUITIES | FIDUCIARY ACTIVITIES | INVESTMENT ADVISORY / BANKING | SECURITIES BROKERAGE |
| ALL BHCS  | 2.5%      | 27.8%                | 37.6%                         | 32.1%                |
| BHCS OVER \$10 BILLION  | 2.5%      | 27.7%                | 38.2%                         | 31.7%                |
| BHCS \$1 BILLION – \$10 BILLION                                       | 4.5%      | 31.5%                | 15.6%                         | 48.3%                |
| BHCS \$500 MILLION – \$1 BILLION                                      | 7.4%      | 35.7%                | 31.7%                         | 25.2%                |
| SMALL BANK ‘PROXIES’ UNDER\$500 MILLION                               | 10.1%     | 48.1%                | 6.5%                          | 35.3%                |

SOURCE: Michael White - IPI Bank Wealth Management Report™

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.

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.

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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.

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**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*<sup>™</sup> measures and benchmarks the performance of bank wealth management programs. The annual *Michael White Insurance Fee Income Report*<sup>™</sup> sponsored by Dowling Hales and the *Equias Alliance / Michael White BOLI Holdings Report*<sup>™</sup> provide, respectively, comprehensive analyses of bank insurance brokerage income and bank-owned life insurance. Additionally, the *MWA Fee Income Ratings Reports*<sup>™</sup> 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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