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N E W S R E L E A S E

## Michael White-IPI Report Wealth Management Income Slows in First Half 2013

**FOR IMMEDIATE RELEASE** – Radnor, PA, and San Antonio, TX, November 13, 2013 – Bank and thrift holding companies (BHCs/THCs) tallied \$67.05 billion in wealth management income in first half 2013, up 12.7% from \$59.52 billion in first half 2012, according to the new *Michael White-IPI Bank Wealth Management Report™*. Of 1,074 large top-tier BHCs/THCs, 574 or 53.5% engaged in wealth management activities so far in 2013.

Second-quarter BHC wealth management income jumped 12.2% to \$34.39 billion from \$30.65 billion in second quarter 2012; and it rose from the prior first quarter 2013 by 5.3% from \$32.66 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 6,940 commercial banks, savings banks and savings associations (thrifts) and 1,074 large top-tier bank and thrift holding companies operating on June 30, 2013.

### TOP 12 BANK HOLDING COMPANIES WITH THE FASTEST GROWING WEALTH MANAGEMENT INCOME IN FIRST HALF 2013

R A N K	WEALTH MANAGEMENT FEE INCOME		PERCENT CHANGE 2010 - 2012	BANK HOLDING COMPANY	ASSETS	% OF NONINTEREST INCOME	
	1H 2013	1H 2012					
<i>(ALL DOLLAR AMOUNTS IN THOUSANDS)</i>							
1	\$438	\$31	1,312.90%	Monarch Financial Holdings, Inc.	VA	\$1,021,099	1.13%
2	\$216	\$20	980.00%	QNB Corp.	PA	\$910,829	8.74%
3	\$2,728	\$351	677.21%	Prosperity Bancshares, Inc.	TX	\$16,275,854	5.72%
4	\$167	\$22	659.09%	Customers Bancorp, Inc.	PA	\$3,793,258	1.19%
5	\$213	\$32	565.63%	First Bemidji Holding Company	MN	\$577,542	14.14%
6	\$7,640	\$1,532	398.69%	Cadence Bancorp LLC	TX	\$5,895,852	22.56%
7	\$505	\$129	291.47%	Columbia Bank MHC	NJ	\$4,412,081	5.87%
8	\$998	\$388	195.27%	Vision Bancshares, Inc.	TX	\$1,149,365	26.63%
9	\$12,087	\$4,180	189.16%	New York Private Bank & Trust Corp.	NY	\$7,175,848	4.23%
10	\$150	\$54	177.78%	United Securities Bancshares	CA	\$632,667	3.86%
11	\$459	\$182	152.20%	Rhinebeck Bancorp, MHC	NY	\$599,902	9.22%
12	\$286	\$115	148.70%	Industry Bancshares, Inc.	TX	\$2,306,937	5.12%

BHCs with a minimum annualized wealth management income of \$250,000 in 2013 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™

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These BHCs achieved unadjusted mean wealth management program fee income of \$116.82 million in first half 2013. Their median investment program income was \$911,500, up 14.9% from \$793,000 in median program income in first half 2012. Top quartile performance in first half 2013 began at \$3,503,500, up 31.5% from the \$2,665,000 starting point for top-quartile BHC investment program revenue in first half 2012.

### Wealth Management Program Growth

Four in five programs registered increases in first half 2013 over the same period in 2012. Of all 574 BHCs reporting wealth management income, 473 (82.4%) were on track to earn a minimum quarter-million dollars in 2013. Of those 473, 386 (81.6%) showed some level of positive growth in wealth management income over 2012, with 237 programs (50.1%) exhibiting double-digit growth and 143 programs (30.2%) achieving 20%+ growth. These findings are significantly higher than at the end of 2012.

Among those 86 BHCs (18.2%) whose annualized wealth management income equals at least \$250,000 and experienced a decline in first half 2013, 49 (10.4%) experienced single-digit declines and 37 BHCs (7.8%) had declines in excess of 10%, with 14 of those experiencing decreases of 20% or more. These findings are significantly higher than at the end of last year.

"Wealth management income has increased in the first six months of 2013 compared to 2012, and the number and percentage of wealth management programs with positive growth far outpaces those that are slow to grow or having trouble. The importance of securities brokerage and annuity commissions is significant for regional and community banks, as those investment services constituted anywhere from 32.7% to 51% of wealth management program income," said Jay McAnelly, President of IPI. "With the economy still slow, program managers must make the most of their opportunities to strengthen their retail distribution. As our study shows, banks that make a meaningful effort to generate wealth management fee income are experiencing robust growth and offsetting declines in traditional bank revenues."

### Leaders in Wealth Management

The table entitled "Top 5 Leaders in Wealth Management Income in First Half 2013" 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 FIRST HALF 2013				
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)	Baker Boyer Bancorp (WA)	Ledyard National Bank (VT)
4	The Goldman Sachs Group, Inc. (NY)	Boston Private Financial Holdings, Inc. (MA)	First Bankers Trustshares, Inc. (IL)	Delta Trust & Bank (AR)
5	Wells Fargo & Co. (NY)	Santander Bancorp (PR)	United Bankers' Bancorporation (MN)	Nashville Bank and Trust Company (TN)

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 574 BHCs reporting wealth management income, 119 BHCs or 20.7% 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 HALF 2013</b>				
<b>ASSET CLASS</b>	<b>ANNUITIES</b>	<b>FIDUCIARY ACTIVITIES</b>	<b>INVESTMENT ADVISORY / BANKING</b>	<b>SECURITIES BROKERAGE</b>
ALL BHCS	2.4%	27.5%	38.3%	31.9%
BHCS OVER \$10 BILLION	2.3%	27.4%	38.8%	31.5%
BHCS \$1 BILLION – \$10 BILLION	5.1%	30.6%	19.0%	45.9%
BHCS \$500 MILLION – \$1 BILLION	6.9%	36.8%	30.5%*	25.9%
SMALL BANK 'PROXIES' UNDER\$500 MILLION	9.8%	44.9%	7.3%	38.1%

\* Of the 30.3%, 20.6% 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 \$21.38 billion or 31.9% of total BHC wealth management income in first half 2013, up 8.3% from \$19.74 billion in first half 2012.

Three hundred sixty-six (366) BHCs or 63.8% of the 574 wealth management programs reported annuity income of \$1.61 billion in first half 2013, up 3.9% from \$1.55 billion in first half 2012. Annuity income constituted 2.4% of total wealth management income in first half 2013 and was the smallest contributor to overall wealth management income.

Three hundred sixty-eight (368) BHCs or 64.1% of all wealth management programs reported income from fiduciary activities of \$18.41 billion in the first six months of 2013, up 8.9% from \$16.91 billion in the same period of 2012. Fiduciary income constituted 27.4% of total wealth management income so far in 2013.

One hundred seventy-nine (179) BHCs or 31.2% of wealth management programs reported investment advisory and banking income of \$25.65 billion in first half 2013, up 20.3% from \$21.32 billion in the first six months of 2012. Investment advisory and banking income constituted the largest contributor to wealth management income with a share of 38.8% in six months of 2013.

“While fiduciary income represents an important component of wealth management, broker-dealer activities, including 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 (38.8%) by the largest BHCs to their wealth management income, third-ranked fiduciary income (27.4%) 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 sixty percent among the smaller BHCs (those under \$10 billion in assets), 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 first half 2013 from securities brokerage (45.9%) and fiduciary activities (30.6%). 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 securities brokerage resumed its second-place finish.

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 first half 2013, investment advisory/banking was most important to the largest BHCs, those over \$10 billion in assets. Thereafter, involvement in those activities basically declined 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 58.5%. 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 55.1% 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*<sup>™</sup> measures and benchmarks the performance of bank wealth management programs. The annual *Michael White Bank 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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