



N E W S R E L E A S E

## Sorrento Pacific-Michael White Report Wealth Management Income Hits Record \$134.6 Billion in 2013

**FOR IMMEDIATE RELEASE** – Radnor, PA, and San Diego, CA, June 9, 2014 – Bank holding companies (BHCs) tallied a record \$134.6 billion in wealth management income in 2013, up 10.0% from \$122.3 billion in 2012, according to the new *Sorrento Pacific-Michael White Bank Wealth Management Report™*. Of 1,062 large top-tier BHCs, 573 or 54.0% engaged in wealth management activities in 2013.

Fourth-quarter 2013 wealth management revenue was the highest on record in the 28 quarters since it became measurable in first quarter 2007. Fourth-quarter BHC wealth management income rose 8.8% to \$35.41 billion from \$32.56 billion in fourth quarter 2012; and it rose from the prior third quarter 2013 by 10.3% from \$32.10 billion.

Compiled by Michael White Associates (MWA) and sponsored by [Sorrento Pacific Financial, LLC \(SPF\)](#) in partnership with [Imeriti Financial Network \(IFN\)](#), 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 6,812 commercial banks, savings banks and savings associations and 1,062 large top-tier bank holding companies operating on December 31, 2013.

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

RANK	PERCENT CHANGE 2012 - 2013	WEALTH MANAGEMENT FEE INCOME		BANK HOLDING COMPANY	ASSETS	% OF NONINTEREST INCOME	
		2013	2012				
<i>(ALL DOLLAR AMOUNTS IN THOUSANDS)</i>							
1	1,241.03%	\$523	\$39	QNB CORP.	PA	\$932,883	10.48%
2	742.51%	\$98,144	\$11,649	HILLTOP HOLDINGS, INC	TX	\$8,894,046	11.63%
3	446.67%	\$328	\$60	FIRST BEMIDJI HOLDING COMPANY	MN	\$596,047	10.96%
4	366.97%	\$1,018	\$218	MONARCH FINANCIAL HOLDINGS	VA	\$1,016,701	1.46%
5	263.51%	\$1,036	\$285	COLUMBIA BANK MHC	NJ	\$4,535,652	6.01%
6	179.36%	\$180,069	\$64,458	TD BANK US HOLDING COMPANY	NJ	\$234,620,066	11.63%
7	162.30%	\$1,002	\$382	ROCKVILLE FINANCIAL, INC.	CT	\$2,310,172	6.54%
8	161.87%	\$2,404	\$918	CAPITAL BANK FINANCIAL CORP.	FL	\$6,622,241	7.12%
9	133.13%	\$373	\$160	UNITED SECURITY BANCSHARES	CA	\$632,320	6.90%
10	126.44%	\$6,243	\$2,757	PROSPERITY BANCSHARES, INC.	TX	\$18,651,693	6.68%
11	120.04%	\$10,443	\$4,746	COLUMBIA BANKING SYSTEM, INC.	WA	\$7,162,318	13.21%
12	116.37%	\$370	\$171	SOUTHCREST FINANCIAL GROUP	GA	\$558,983	5.83%

BHCs ranked by program income growth had a minimum \$250,000 in wealth management income in 2013.

SOURCE: Sorrento Pacific-Michael White Bank Wealth Management Report™

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Altogether, BHCs achieved adjusted mean wealth management program fee income of \$79.63 million in 2013. Their median investment program income was \$1,863,000, up 13.9% from \$1,635,000 in median program income in 2012. Top quartile performance in 2013 began at \$7,122,000, up 18.9% from the \$5,991,000 starting point for top-quartile BHC investment program revenue at the end of 2012.

“At a time when other banking revenues are down, especially lending and service charges on deposit accounts, wealth management stands out as one of those natural businesses for banks,” said Valorie Seyfert, President and CEO of SPF. “Wealth management income is a great way for a bank to increase non-interest income. Conducting wealth management activities enables banks to help preserve, grow, distribute and administer assets and income for families, businesses and nonprofits. Client relationships are enhanced and retained. The continued growth of wealth management revenue to record levels in 2013 among banking organizations reflects the extensive opportunity wealth management offers financial institutions.”

### Leaders in Wealth Management

The table entitled “Top 5 Leaders in Wealth Management Income in 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. In the past, when small BHCs did report fee income data, small banks closely replicated their results, operating, as they do, fee income activity as a department or direct subsidiary so the income reported up to the bank, and then, up to the BHC.

TOP 5 LEADERS IN WEALTH MANAGEMENT INCOME IN 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, Inc. (LA)	Essex Savings Bank (CT)
3	Bank of America Corporation (NC)	SWS Group, Inc. (TX)	Virginia National Bankshares Corporation (VA)	Ledyard National Bank (VT)
4	The Goldman Sachs Group, Inc. (NY)	Boston Private Financial Holdings, Inc. (MA)	Baker Boyer Bancorp (WA)	Delta Trust & Bank (AR)
5	Wells Fargo & Co. (CA)	Santander Bancorp (PR)	First Bankers Trustshares, Inc. (IL)	Truxton Trust Company (TN)

SOURCE: Sorrento Pacific-Michael White Bank Wealth Management Report™

### Wealth Management Program Growth

An exceptional number of wealth management programs registered increases in 2013 over 2012. Of all 573 BHC wealth management programs, 480 (83.8%, up from 73.4% in 2012) earned a minimum quarter-million dollars in 2013. Of those 480 programs, 412 (85.8%, up from 71.5% in 2012) showed some level of positive growth in wealth management income over 2012, with 285 programs (59.4%, up from 32.5% in 2012) exhibiting double-digit growth and 150 programs (31.3%, up from 16.5% in 2012) achieving 20%+ growth.

Among those 66 BHCs (13.8%, down from 28.0% in 2012) whose wealth management income was over a quarter-million dollars but declined in 2013, 35 (7.3%, down from 17.9%) experienced single-digit declines and

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31 BHCs (6.5%, down from 10.1%) had declines in excess of 10%, with 14 (2.9%) of those experiencing wealth management revenue decreases of 20% or more.

“Our growth analysis shows that a number of BHCs with previously 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, 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 573 BHCs reporting wealth management income, 120 BHCs or 20.9% reported earnings in each of the four component revenues constituting wealth management.

<b>COMPONENT SHARES AS A PERCENT OF BHC WEALTH MANAGEMENT INCOME IN 2013</b>				
<b>ASSET CLASS</b>	<b>ANNUITIES</b>	<b>FIDUCIARY ACTIVITIES</b>	<b>INVESTMENT ADVISORY / BANKING</b>	<b>SECURITIES BROKERAGE</b>
ALL BHCs	2.5%	27.7%	38.5%	31.2%
BHCs OVER \$10 BILLION	2.4%	27.6%	39.1%	30.8%
BHCs \$1 BILLION – \$10 BILLION	5.2%	30.1%	19.7%	45.0%
BHCs \$500 MILLION – \$1 BILLION *	8.0%	54.4%	11.2%	26.4%
SMALL BANK ‘PROXIES’ UNDER \$500 MILLION	9.8%	44.8%	6.8%	38.6%
* This asset class was adjusted for its leading financial institution, which skews the entire asset class’ component shares of wealth management (to 6.8% for annuities, 39.2% for fiduciary income, 29.1% for investment banking, advisory and underwriting, and 24.9% for securities brokerage).				

SOURCE: Sorrento Pacific-Michael White Bank Wealth Management Report™

Securities brokerage fees and commissions represented \$42.00 billion or 31.2% of total BHC wealth management income in 2013, up 7.0% from \$39.25 billion in 2012.

Three hundred sixty-five (365) BHCs or 63.7% of the 573 wealth management programs reported annuity income of \$3.39 billion in 2013, up 9.9% from \$3.09 billion in 2012. Annuity income constituted 2.5% of total wealth management income in 2013 and was the smallest contributor to overall wealth management income.

Three hundred sixty-eight (368) BHCs or 64.2% of all wealth management programs reported income from fiduciary activities of \$37.30 billion in 2013, up 9.8% from \$33.99 billion in 2012. Fiduciary income constituted 27.7% of total wealth management income in 2013.

One hundred seventy-seven (177) BHCs or 30.9% of wealth management programs reported investment advisory and banking income of \$51.86 billion in 2013, up 12.8% from \$45.98 billion in 2012. Investment advisory and banking income constituted the largest contributor to wealth management income with a share of 38.5% in 2013.

**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 (27.6%) ranked number one (72.8%) among

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large banks, further demonstrating that most investment advisory/banking operations are direct nonbank 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 ranked third or fourth among the smaller BHCs (those under \$10 billion in assets) and proxy banks.

Mid-size BHCs (between \$1 billion and \$10 billion in assets) generated most of their wealth management income in 2013 from securities brokerage (45.0%) and fiduciary activities (30.1%). The smaller BHCs (assets between \$500 million and \$1 billion) tended to mirror the small bank proxies in that fiduciary income ranked first (54.4%) and securities brokerage ranked second (26.4%) on an adjusted basis.

The bottom line findings of component contributions to BHC wealth management income are these: In 2013, 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 2013, the median Wealth Management Concentration Ratio was 59.7%. 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 54.4% of noninterest income.

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**About Sorrento Pacific Financial, LLC:** Established in 2005, [Sorrento Pacific Financial, LLC](#) (Member [FINRA/SIPC](#)) is a full-service broker dealer offering customized investment and insurance solutions, training and program development support to the banking industry. Headquartered in San Diego, CA, SPF works with banks throughout the country, providing expertise in key areas including retirement services, wealth management, and fee-based and insurance products for both individuals and business customers, and provides a fully-electronic account management system for advisors. For more information, call toll-free 888.805.5585, extension 7916 or 4410, or visit [www.sorrentopacific.com](#).

**Michael White Associates (MWA):** MWA is a consulting, publishing and research firm headquartered in Radnor, PA, and online at [www.BankInsurance.com](#). Produced by Michael White and Michael White Associates, LLC (MWA), the *Sorrento Pacific-Michael White Bank Wealth Management Report*<sup>™</sup> measures and benchmarks the performance of bank wealth management programs. The annual *Michael White-Succeed Advisors Bank Insurance Fee Income Report*<sup>™</sup> 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](#).

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