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N E W S R E L E A S E

Michael White Reports Bank Annuity Income Begins To Slow Despite Record in 2014

FOR IMMEDIATE RELEASE – Radnor, PA, April 14, 2015 – Income earned from the sale of annuities at bank holding companies (BHCs) rose 4.0% for the year from \$3.43 billion in 2013 to a record \$3.57 billion in 2014, according to the *Michael White Bank Annuity Fee Income Research*[™]. That annual rate of growth, however, represented a decrease of more than half from 9.0% growth in 2013.

Although three of the four quarters in 2014 were among the four biggest quarters ever in bank annuity fee income, fourth quarter 2014 BHC annuity commissions declined to \$859.6 million, down 4.2% from \$897.4 million in third quarter 2014 and 7.8% from \$932.0 million earned in fourth quarter 2013.

Compiled by Michael White Associates (MWA), the research measures and benchmarks the banking industry’s performance in generating annuity fee income. Findings are based on data from all 6,509 commercial banks, savings banks and savings associations (thrifts), and 1,052 large top-tier bank and thrift holding companies (collectively, BHCs) with consolidated assets greater than \$500 million operating on December 31, 2014. Several BHCs that are historically insurance or commercial companies have been excluded from the research in order to better understand the insurance performance of financial institutions that historically have engaged in significant banking activities.

**TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME
YEAR-END DECEMBER 31, 2014
Nationally**

RANK	YTD ANNUITY INCOME		PERCENT CHANGE 2013 - 2014	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME
	2014	2013					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$876,000	\$837,000	4.66%	WELLS FARGO & COMPANY	CA	\$1,687,154,000	2.20%
2	\$705,000	\$663,000	6.33%	MORGAN STANLEY	NY	\$789,815,000	2.29%
3	\$341,190	\$321,403	6.16%	RAYMOND JAMES FINANCIAL	FL	\$23,982,718	7.50%
4	\$218,000	\$235,000	-7.23%	JPMORGAN CHASE & CO.	NY	\$2,565,246,000	0.43%
5	\$160,000	\$178,000	-10.11%	BANK OF AMERICA CORP.	NC	\$2,100,265,000	0.37%
6	\$116,006	\$103,893	10.70%	SUNTRUST BANKS, INC.	GA	\$190,446,755	3.26%
7	\$83,000	\$65,000	27.69%	CITIGROUP INC.	NY	\$1,842,415,000	0.28%
8	\$73,000	\$72,000	1.39%	U.S. BANCORP	MN	\$402,529,000	0.80%
9	\$58,240	\$55,128	5.65%	BB&T CORPORATION	NC	\$186,810,156	1.54%
10	\$55,957	\$51,978	7.66%	BBVA USA BANCSHARES, INC.	TX	\$83,152,427	6.52%
Source: <i>Michael White Bank Annuity Fee Income Research</i> [™]							

Of 1,052 large BHCs, 424 or 40.3% participated in annuity sales activities during the year. Their \$3.57 billion in annuity commissions and fees constituted 38.5% of total BHC insurance sales revenue (i.e., the sum of annuity and insurance brokerage income) of \$9.28 billion. Of the 6,509 banks, 914 or 14.0% participated in

annuity sales activities, earning \$834.7 million in annuity commissions or an amount equal to 23.4% of total BHC annuity fee income.

Michael White, president of MWA and author of the report, noted, “There were definite signs of slackening in BHC annuity earnings momentum. Of 424 large top-tier BHCs reporting annuity fee income in 2014, 221 or 52% earned a minimum of \$250,000 selling annuities. Of those 221, eight were new programs, and 104 BHCs or 47% achieved double-digit growth in annuity fee income, down 18% from 127 BHCs in 2013. That was also an 11-point decline from 2013, when 58% of 219 BHCs that earned at least \$250,000 in annuity income achieved double-digit growth. Additional causes for concern were that fourth quarter 2014 registered the lowest quarterly annuity income since second quarter 2013, and fourth quarter annuity income declined from both fourth quarter 2013 and third quarter 2014.”

“We also examined nearly 100 large top-tier BHCs with at least \$1 million in annuity revenue in 2014,” White continued, “and 68% of them attained increases in their revenue compared to 74% in 2013. Those BHCs whose annuity revenues were up 10% or more numbered 38 in 2014, a decline of nearly 30% from 54 BHCs with double-digit growth in 2013. The lower proportion of significant players exhibiting growing annuity programs, the slowing rates of growth among them, and the substantial decrease in the number of significant players that experienced double-digit growth are indicators of what appears could be the onset of an overall slowdown in annuity sales production and growth in annuity programs.”

Over two-thirds (68.1%) of BHCs with over \$10 billion in assets earned annuity commissions of \$3.34 billion, constituting 93.4% of total annuity commissions reported. This was an increase of 4.4% from \$3.20 billion in annuity fee income in 2013. Among this asset class of largest BHCs, annuity commissions made up 41.3% of their total insurance sales revenue of \$8.08 billion, the highest proportion of annuity income to insurance sales revenue 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 2014.

BHCs with assets between \$1 billion and \$10 billion recorded a decrease of 1.3% in annuity fee income in 2014, declining from \$207.1 million in 2013 to \$204.4 million and accounting for 21.6% of their total insurance sales revenue of \$944.8 million. Among BHCs with assets between \$1 billion and \$10 billion, annuity leaders included Santander Bancorp (PR), Stifel Financial Corp. (MO), SWS Group, Inc. (TX), Wesbanco, Inc. (WV), and National Penn Bancshares, Inc. (PA).

BHCs with \$500 million to \$1 billion in assets generated \$30.7 million in annuity commissions in 2014, down 3.2% from \$31.7 million the year before. Only 29.6% 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 (11.9%) of total insurance sales revenue of \$257.8 million. Among BHCs with assets between \$500 million and \$1 billion, annuity leaders were First Command Financial Services, Inc. (TX), Hopfed Bancorp, Inc. (KY), BancTenn Corp. (TN), Goodenow Bancorporation (IA), 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 Sturgis Bank & Trust Company (MI), FNB Bank, N.A. (PA), The Hardin County Bank (TN), Firststar Bank, N.A. (OK), and Essex Savings Bank (CT). Representing small BHCs, these small banks registered an increase of 2.6% in annuity fee income, rising from \$38.2 million in 2013 to \$39.2 million in 2014.

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 8.3% in 2014, up from 8.2% in 2013. Among

the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 14.6% of noninterest income, up from 13.3% in 2013.

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 \$977 per million dollars of retail deposits, unchanged from \$977 in 2013. Among the top 50 small banks in annuity penetration, the median Annuity Penetration Ratio was \$1,431 per million dollars of core deposits in 2014, up negligibly from \$1,428 in 2013.

Among the top 50 BHC leaders in annuity productivity (i.e., annuity income per BHC employee), the median Annuity Productivity Ratio was \$3,363 per employee in 2014, unchanged from \$3,363 per employee in 2013. Among the top 50 small banks in annuity productivity, the median Annuity Productivity Ratio was \$4,331 per bank employee, up 7.3% from \$4,037 in 2013.

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Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at www.BankInsurance.com. The annual *Sorrento Financial - Michael White Bank Wealth Management Report*[™] and *Michael White Bank Insurance Fee Income Report*[™] provide comprehensive analyses of, respectively, multi-faceted sources of bank wealth management fee income and bank insurance brokerage and underwriting 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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