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Sorrento Pacific-Michael White Report Wealth Management Fee Income Hits Record \$143.2 Billion in 2014

FOR IMMEDIATE RELEASE – Radnor, PA, and San Diego, CA, April 21, 2015 – Bank holding companies (BHCs) tallied a record \$143.2 billion in wealth management fee income in 2014, up 6.5% from \$134.6 billion in 2013, according to the new *Sorrento Pacific-Michael White Bank Wealth Management Report™*. Of 1,052 large top-tier BHCs, 576 or 54.8% engaged in wealth management activities in 2014.

Fourth-quarter 2014 wealth management revenue was the highest on record in the 32 quarters since it became measurable in first quarter 2007. Fourth-quarter BHC wealth management income rose 3.0% to \$36.47 billion from \$35.41 billion in fourth quarter 2013; and it rose from the prior third quarter 2014 by 2.6% from \$35.55 billion. All four quarters ranked among the top five record quarters in bank wealth management income.

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 6,509 commercial banks, savings banks and savings associations and 1,052 large top-tier bank holding companies operating on December 31, 2014.

TOP 12 BANK HOLDING COMPANIES WITH THE FASTEST GROWING WEALTH MANAGEMENT INCOME IN 2014							
RANK	PERCENT CHANGE 2013 - 2014	WEALTH MANAGEMENT FEE INCOME		BANK HOLDING COMPANY	ASSETS	% OF NONINTEREST INCOME	
		2014	2013				
<i>(ALL DOLLAR AMOUNTS IN THOUSANDS)</i>							
1	168.94%	\$3,039	\$1,130	UNITED COMMUNITY BANCORP, INC.	IL	\$1,780,852	10.48%
2	124.57%	\$14,020	\$6,243	PROSPERITY BANCSHARES, INC.	TX	\$21,519,443	11.63%
3	117.10%	\$1,917	\$883	ACCESS NATIONAL CORPORATION	VA	\$1,052,880	10.96%
4	105.87%	\$32,548	\$15,810	CADENCE BANCORP LLC	TX	\$7,945,794	1.46%
5	86.65%	\$4,487	\$2,404	CAPITAL BANK FINANCIAL CORP.	FL	\$6,836,095	6.01%
6	81.24%	\$1,816	\$1,002	UNITED FINANCIAL BANCORP, INC.	CT	\$5,482,607	11.63%
7	74.38%	\$1,048	\$601	FRANKLIN FINANCIAL NETWORK, INC.	TN	\$1,355,827	6.54%
8	74.37%	\$9,036	\$5,182	UNION BANCSHARES CORPORATION	VA	\$7,363,853	7.12%
9	71.67%	\$927	\$540	RED RIVER BANCSHARES, INC.	LA	\$1,398,261	6.90%
10	67.68%	\$441	\$263	CITIZENS NATIONAL CORPORATION	KY	\$568,522	6.68%
11	67.45%	\$2,145	\$1,281	THREE SHORES BANCORPORATION	FL	\$1,080,344	13.21%
12	65.19%	\$3,791	\$2,295	FIRST DAKOTA FINANCIAL CORP.	SD	\$1,106,401	5.83%

BHCs ranked by program income growth had a minimum \$250,000 in wealth management income in 2014.
SOURCE: Sorrento Pacific-Michael White Bank Wealth Management Report™

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Altogether, BHCs achieved adjusted mean wealth management program fee income of \$75.25 million in 2014. Their median investment program income was \$1,915,500, up 2.8% from \$1,863,000 in median program income in 2013. Top quartile performance in 2014 began at \$7,173,000, up 0.7% from the \$7,122,000 starting point for top-quartile BHC investment program revenue at the end of 2013.

“At a time when a wave of baby boomers are entering retirement and in need of retirement and estate planning, wealth management stands out as one of those natural businesses for banks,” said Valorie Seyfert, President and CEO of SPF. “Wealth management services represent a great source of non-interest income for banks. Wealth management programs enable banks to help preserve, grow, distribute and administer assets and income for families, businesses and nonprofits. In turn, client relationships are enhanced and retained. The continued record level growth of wealth management revenue in 2014 reflects the extensive opportunity these programs offer financial institutions.”

Leaders in Wealth Management

The table entitled “Top 5 Leaders in Wealth Management Income in 2014” 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 2014				
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)	SWS Group, Inc. (TX)	First National Bankers Bankshares, Inc. (LA)	Essex Savings Bank (CT)
3	Bank of America Corporation (NC)	Boston Private Financial Holdings, Inc. (MA)	First Bankers Trustshares, Inc. (IL)	Ledyard National Bank (VT)
4	The Goldman Sachs Group, Inc. (NY)	Hilltop Holdings, Inc. (TX)	Baker Boyer Bancorp (WA)	Truxton Trust Company (TN)
5	Wells Fargo & Co. (CA)	Santander Bancorp (PR)	Bou Bancorp, Inc. (UT)	American National Bank & Trust (TX)

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

Wealth Management Program Growth

Of all 576 BHC wealth management programs, 478 (83.0%, down from 480 BHCs or 83.8% in 2013, but up from 73.4% in 2012) earned a minimum quarter-million dollars in 2014. Of those 478 programs, 375 programs or 78.5% (down from 412 BHCs or 85.8% in 2013, but up from 71.5% in 2012) showed some level of positive growth in wealth management income over 2013.

Two hundred thirteen (213) wealth management programs or 44.6% of growing programs exhibited double-digit growth in 2014 (down from 285 programs or 59.4% in 2013, but up from 32.5% in 2012). Ninety-three (93) programs or 19.5% of those 375 BHCs showing some positive growth achieved 20%+ growth in 2014, (down from 150 programs or 31.3% in 2013, but up from 16.5% in 2012).

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Among 792 banks producing at least a quarter million dollars in wealth management income in 2014, 15 were new programs and 616 banks or 77.8% attained some level of growth. Those banks achieving double-digit growth numbered 367 (or 59.6% of the 616 with some growth), and 187 banks (30.4%) attained 20%+ growth.

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 576 BHCs reporting wealth management income, 124 BHCs or 21.5% reported earnings in each of the four component revenues constituting wealth management.

COMPONENT SHARES AS A PERCENT OF BHC WEALTH MANAGEMENT INCOME IN 2014				
ASSET CLASS	ANNUITIES	FIDUCIARY ACTIVITIES	INVESTMENT ADVISORY / BANKING	SECURITIES BROKERAGE
ALL BHCS	2.5%	27.5%	39.7%	30.3%
BHCS OVER \$10 BILLION	2.4%	27.4%	40.2%	30.0%
BHCS \$1 BILLION – \$10 BILLION	5.2%	32.8%	21.9%	40.2%
BHCS \$500 MILLION – \$1 BILLION *	8.9%	51.3%	10.9%	29.0%
SMALL BANK 'PROXIES' UNDER \$500 MILLION	10.1%	48.1%	7.2%	34.6%
* This asset class was adjusted for its leading financial institution, which skews the entire asset class' component shares of wealth management (to 7.2% for annuities, 34.2% for fiduciary income, 33.3% for investment banking, advisory and underwriting, and 25.3% for securities brokerage).				

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

Securities brokerage fees and commissions represented \$43.36 billion or 30.3% of total BHC wealth management income in 2014, up 3.3% from \$42.00 billion in 2013.

Three hundred sixty-eight (368) BHCs or 63.9% of the 576 wealth management programs reported annuity income of \$3.53 billion in 2014, up 3.9% from \$3.39 billion in 2013. Annuity income constituted 2.5% of total wealth management income in 2014 and was the smallest contributor to overall wealth management income.

Three hundred sixty-five (365) BHCs or 63.4% of all wealth management programs reported income from fiduciary activities of \$39.44 billion in 2014, up 5.7% from \$37.30 billion in 2013. Fiduciary income constituted 27.5% of total wealth management income in 2014.

One hundred eighty-three (183) BHCs or 31.8% of wealth management programs reported investment advisory and banking income of \$56.91 billion in 2014, up 9.7% from \$51.86 billion in 2013. Investment advisory and banking income constituted the largest contributor to wealth management income with a share of 39.7% in 2014.

Contribution of Wealth Management Components by BHC Asset Class

Whereas investment advisory/banking income was the number one contributor (40.2%) by the largest BHCs to their wealth management income, third-ranked fiduciary income (27.4%) ranked number one (73.5%) among 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

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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 2014 from securities brokerage (40.2%) and fiduciary activities (32.8%). The smaller BHCs (assets between \$500 million and \$1 billion) tended to mirror the small bank proxies in that fiduciary income ranked first (51.3%) and securities brokerage ranked second (29.0% on an adjusted basis).

The bottom line findings of component contributions to BHC wealth management income are these: In 2014, 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 2014, the median Wealth Management Concentration Ratio was 60.0%. 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 52.0% 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. Produced by Michael White and Michael White Associates, LLC (MWA), the *Sorrento Pacific-Michael White Bank Wealth Management Report*[™] measures and benchmarks the performance of bank wealth management programs. The annual *Michael White Bank Insurance Fee Income Report*[™] and the *Equias Alliance / Michael White BOLI Holdings Report*[™] provide, respectively, comprehensive analyses of bank insurance brokerage income and bank-owned life insurance. 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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