



N E W S R E L E A S E

Sorrento Pacific-Michael White Report **Bank Wealth Management Fee Income Hits First Quarter Record**

FOR IMMEDIATE RELEASE – Radnor, PA, and San Diego, CA, July 21, 2015 – Bank and thrift holding companies (BHCs) tallied a first quarter record \$36.35 billion in wealth management noninterest fee income in the first three months of 2015, up 4.0% from \$34.94 billion in the same period of 2014, according to the most recent *Sorrento Pacific-Michael White Bank Wealth Management Report™*.

Of 576 large top-tier BHCs, 354 or 61.5% engaged in wealth management activities in the quarter. Among these BHCs, the record first-quarter BHC wealth management income basically matched the all-quarter record-setting \$36.38 billion earned in fourth quarter 2014.

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 noninterest fee income from multi-faceted wealth management services for individuals, families, businesses, and nonprofits. Results are based on data from all 6,419 commercial banks, savings banks and savings associations (thrifts) and 576 large top-tier BHCs operating on March 31, 2015.

TOP 12 BANK HOLDING COMPANIES WITH THE FASTEST GROWING WEALTH MANAGEMENT INCOME IN 1Q 2015

RANK	PERCENT CHANGE 2014 - 2015	WEALTH MANAGEMENT FEE INCOME		BANK HOLDING COMPANY	ASSETS	% OF NONINTEREST INCOME
		1Q 2015	1Q 2014			
(ALL DOLLAR AMOUNTS IN THOUSANDS)						
1	827.55%	\$4,276	\$461	BANK LEUMI LE-ISRAEL CORP.	NY	\$5,424,990
2	212.26%	\$331	\$106	FRANKLIN FINANCIAL NETWORK	TN	\$1,509,426
3	206.98%	\$70,219	\$22,874	HILLTOP HOLDINGS, INC	TX	\$12,559,014
4	195.83%	\$71	\$24	FIDELITY SOUTHERN CORP.	GA	\$3,203,718
5	167.94%	\$351	\$131	RED RIVER BANCSHARES, INC.	LA	\$1,469,803
6	121.62%	\$82	\$37	PALMETTO BANCSHARES, INC.	SC	\$1,174,170
7	116.84%	\$206	\$95	AUSTIN BANCORP, INC	TX	\$1,572,167
8	98.91%	\$8,382	\$4,214	CADENCE BANCORP LLC	TX	\$8,141,420
9	84.31%	\$94	\$51	CENTRAL VALLEY COMMUNITY BANC.	CA	\$1,198,409
10	79.32%	\$1,214	\$677	FIRST TEXAS BHC, INC.	TX	\$1,658,556
11	77.06%	\$193	\$109	EASTERN VIRGINIA BANKSHARES	VA	\$1,195,579
12	73.33%	\$156	\$90	EQUITY BANCSHARES, INC.	KS	\$1,237,467

BHCs ranked by program income growth are on track to earn a minimum \$250,000 in wealth management noninterest fee income in 2015.

Excludes traditional insurance companies and mutual fund companies such as, respectively, The Principal and T. Rowe Price.

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

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These BHCs achieved unadjusted mean wealth management program fee income of \$102.7 million in the first quarter of 2015. Their median program income was \$1.21 million, down 0.5% from \$1.22 million in median program income in first quarter of 2014. Top quartile performance in same period 2015 began at \$4.93 million, up 2.3% from the \$4.82 million in first quarter 2014.

Wealth Management Program Growth

Many programs registered increases in revenue through first quarter of 2015 over the same period in 2014. Of all 354 BHC wealth management programs, 320 or 90% (up from 164 BHCs or 48% in first quarter 2014) were on track to earn a minimum quarter-million dollars in 2015. Of those 320 programs, 228 or 71% showed some level of positive growth, however slight, in wealth management income over 2014, with 109 programs or 34% exhibiting double-digit growth and 62 programs or 19% achieving 20%+ growth.

Among those 92 BHCs or 29% on track to earn a minimum \$250,000 in wealth management income in 2015 but that experienced a decline in that income, 58 or 18% recorded single-digit declines; 34 BHCs or 11% recorded declines in excess of 10%; and 15 or 5% experienced decreases of 20% or more.

"Bank wealth management programs have been surging since fourth quarter 2012. They got off to a record start in the first three months of 2015 compared to 2014. In fact, the last four quarters have been the biggest in terms of wealth management fee income. And, with more than seven in ten programs registering growth, 2015 looks like it will be a good year for banks in wealth management activities," said Valorie Seyfert, president and CEO of Sorrento Pacific Financial. "Optimizing all components of wealth management programs in our current economy has become a key factor in banks' overall ROA, especially in order to help banks offset declines in traditional banking revenues such as service charges and net interest margins."

Leaders in Wealth Management

The table entitled "Top 5 Leaders in Bank Wealth Management Noninterest Fee Income in 1Q 2015" lists leaders in three traditional BHC assets classes: over \$10 billion in assets, between \$1 billion and \$10 billion in assets, and under \$1 billion in assets. This third asset class consists of the smallest community banks, those with assets less than \$1 billion, 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 BANK WEALTH MANAGEMENT NONINTEREST FEE INCOME IN 1Q 2015			
RANK	BHCS OVER \$10 BILLION	BHCS BETWEEN \$1B - \$10B	SMALL BANK 'PROXIES' UNDER \$1B
1	JPMorgan Chase & Co. (NY)	Stifel Financial Corp. (MO)	The Haverford Trust Company (PA)
2	Morgan Stanley (NY)	Alerus Financial Corp. (ND)	Essex Savings Bank (CT)
3	Bank of America Corporation (NC)	Santander Bancorp (PR)	American Trust & Savings Bank (IA)
4	The Goldman Sachs Group, Inc. (NY)	Bryn Mawr Bank Corp. (PA)	Fieldpoint Private Bank & Trust (CT)
5	Wells Fargo & Co. (NY)	Washington Trust Bancorp (RI)	The Security Nat'l Bank of Sioux City, Iowa (IA)

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

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Contribution of Four Components to Total Wealth Management Income

In this report, bank wealth management fee income consists of four components: 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 354 BHCs reporting wealth management income, 88 BHCs or 24.9% reported earnings in each of the four component revenues constituting wealth management.

COMPONENT SHARES AS A PERCENT OF BHC WEALTH MANAGEMENT NONINTEREST FEE INCOME IN 1Q 2015				
ASSET CLASS	ANNUITIES	FIDUCIARY ACTIVITIES	INVESTMENT ADVISORY / BANKING	SECURITIES BROKERAGE
ALL BHCS	2.3%	26.8%	40.6%	30.3%
BHCS OVER \$10 BILLION	2.2%	26.7%	41.1%	30.0%
BHCS \$1 BILLION – \$10 BILLION	4.7%	32.9%	19.5%	42.9%
SMALL BANK 'PROXIES' UNDER\$1 BILLION	9.0%	52.3%	6.0%	32.8%

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

Securities brokerage fees and commissions reported by all BHCs with wealth management programs represented \$11.01 billion or 30.3% of total BHC wealth management noninterest fee income in first quarter 2015, down 0.2% from \$11.03 billion in first quarter 2014.

Two hundred forty-two (242) BHCs or 68.4% of the 354 wealth management programs reported annuity income of \$831.4 million in first quarter 2015, down 5.4% from \$878.6 million in the same period 2014. Annuity income constituted 2.3% of total bank wealth management noninterest fee income in the first quarter and was the smallest contributor to overall wealth management income.

Two hundred forty-six (246) BHCs or 62.3% of all wealth management programs reported income from fiduciary activities. That income rose 2% to \$9.75 billion, up from \$9.56 billion in first quarter 2014. Fiduciary income constituted 26.8% of total wealth management income so far in 2015.

One hundred thirty-four (134) BHCs or 37.9% of wealth management programs reported investment advisory and banking income of \$14.76 billion in the first quarter, up 9.6% from \$13.47 billion in the first three months of 2014. Investment advisory and banking income comprised the largest segment (40.6%) of BHC wealth management noninterest fee income in first quarter.

Contribution of Wealth Management Components by BHC Asset Class

Whereas investment advisory/banking income was the number one contributor (41.1%) to the wealth management income of BHCs with over \$10 billion in assets, third-ranked fiduciary income (26.7%) ranked number one (75.4%) among the largest 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 is much less among the smaller BHCs with assets between \$1 billion and \$10 billion and small proxy banks representing BHCs with assets under \$1 billion where it ranked, respectively, third or fourth.

Mid-size BHCs (\$1-\$10 billion in assets) generated most of their wealth management income in the quarter from securities brokerage (42.9%) and fiduciary activities (32.9%). Among the smaller banks, fiduciary income contributed the largest percentage (52.3%) to wealth management programs; securities brokerage earnings ranked second (32.8%), and annuity income ranked third, taking on greater importance (9.0%).

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For purposes of comparing the smallest BHCs, i.e., those with assets less than \$1 billion, 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 fee income activity as a subsidiary so the income reported up to the bank, and, then, 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 quarter 2015, investment advisory/banking was the most significant contributor to wealth management fee income among BHCs with over \$10 billion in assets. Thereafter, involvement in investment advisory/banking activities declined steadily and substantially among BHC and proxy bank asset classes with under \$10 billion in assets. 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) year-to-date in 2015, the median Wealth Management Concentration Ratio was 52.3%. 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 61.5% 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™* measures and benchmarks the performance of bank wealth management programs. The annual *Michael White BankInsurance 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.

For additional information contact:

Michael D. White, Ph.D., CLU, ChFC
President
Michael White Associates, LLC
823 King of Prussia Road
Radnor, PA 19087
Phone: (610) 254-0440
Email: MWA@BankInsurance.com

Valorie Seyfert
President and CEO
Sorrento Pacific Financial, LLC
10150 Meanley Drive, 1st Floor
San Diego, CA 92131
Phone: 858-805-4412
Email: vseyfert@cusonet.com