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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 2015

FOR IMMEDIATE RELEASE – Radnor, PA, April 12, 2016 – Income earned from the sale of annuities at bank holding companies (BHCs) slipped 1.3% for the year from \$3.19 billion in 2014 to \$3.15 billion in 2015, according to the *Michael White Bank Annuity Fee Income Research*TM.

Second quarter 2015 was the biggest on record, and fourth quarter 2015 was the fifth biggest quarter ever in bank annuity fee income. Fourth quarter 2015 BHC annuity commissions rose to \$797.3 million, up 9.9% from \$725.7 million in third quarter 2015 and up 4.1% from \$766.0 million earned in fourth quarter 2014.

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 6,182 commercial banks, savings banks and savings associations (thrifts), and 578 large top-tier bank and thrift holding companies (collectively, BHCs) with consolidated assets greater than \$1 billion operating on December 31, 2015. Several BHCs that are historically insurance, securities 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, 2015
Nationally**

RANK	YTD ANNUITY INCOME		PERCENT CHANGE 2014 - 2015	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME
	2015	2014					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$947,000	\$876,000	8.11%	WELLS FARGO & COMPANY	CA	\$1,787,596,000	2.39%
2	\$666,000	\$705,000	-5.53%	MORGAN STANLEY	NY	\$785,371,000	2.19%
3	\$208,000	\$218,000	-4.59%	JPMORGAN CHASE & CO.	NY	\$2,343,188,000	0.42%
4	\$147,000	\$160,000	-8.13%	BANK OF AMERICA CORP.	NC	\$2,140,616,000	0.35%
5	\$108,346	\$115,006	-5.79%	SUNTRUST BANKS, INC.	GA	\$190,989,105	3.15%
6	\$68,754	\$58,240	18.05%	BB&T CORPORATION	NC	\$209,940,826	1.72%
7	\$66,000	\$83,000	-20.48%	CITIGROUP INC.	NY	\$1,731,192,000	0.22%
8	\$65,000	\$73,000	-10.96%	U.S. BANCORP	MN	\$421,853,000	0.71%
9	\$56,166	\$40,701	38.00%	PNC FINANCIAL SERVICES GRP.	PA	\$358,690,085	0.82%
10	\$52,602	\$48,222	9.08%	KEYCORP	OH	\$94,084,851	2.81%

Source: *Michael White Bank Annuity Fee Income Research*TM

Of 578 large BHCs, 388 or 49.8% participated in annuity sales activities during the year. Their \$3.15 billion in annuity commissions and fees constituted 36.5% of total BHC insurance sales revenue (i.e., the sum of annuity and insurance brokerage income) of \$8.61 billion. Of the 6,182 banks, 883 or 14.3% participated in annuity sales activities, earning \$800.0 million in annuity commissions or an amount equal to 25.4% 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 288 large top-tier BHCs reporting annuity fee income in 2015, 182 or 63% earned a minimum of \$250,000 selling annuities, including seven new programs. Among those programs with at least \$250,000 in annuity income, 55 BHCs or 30% achieved double-digit growth, down 32% from 81 BHCs in 2014. That was also a 49-point decline from 2013, when 107 or 59% of 181 BHCs with at least \$250,000 in annuity income achieved double-digit growth.”

“We also examined 90 large top-tier BHCs with at least \$1 million in annuity revenue in 2015,” White continued, “and 37 or 41% of them attained increases in their revenue compared to 69% in 2014. Those BHCs whose annuity revenues were up 10% or more numbered 21 in 2015, a decline of nearly 42% from 36 BHCs with double-digit growth in 2014. Despite strong second and fourth-quarter annuity income, 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 could be the onset of an overall slowdown in bank annuity sales production.”

Over two-thirds (70.1%) of BHCs with over \$10 billion in assets earned annuity commissions of \$2.99 billion, constituting 94.7% of total annuity commissions reported. This was an increase of 0.2% from \$2.98 billion in annuity fee income in 2014. Among this asset class of largest BHCs, annuity commissions made up 38.3% of their total insurance sales revenue of \$7.81 billion, the highest proportion of annuity income to insurance sales revenue of any asset class. Wells Fargo & Company (CA), Morgan Stanley (NY), JPMorgan Chase & Co. (NY), Bank of America Corporation (NC), and SunTrust Banks (GA) led all bank holding companies in annuity commissions and fees in 2015.

BHCs with assets between \$1 billion and \$10 billion recorded a 23.0% drop in annuity fee income to \$157.5 million, down from \$204.4 million in 2014, to comprise 19.7% of their total insurance sales revenue of \$800.2 million. Among BHCs with assets between \$1 billion and \$10 billion, annuity leaders included Santander Bancorp (PR), Wesbanco, Inc. (WV), National Penn Bancshares, Inc. (PA), First Commonwealth Financial Corp. (PA), and First Midwest Bancorp, Inc. (IL).

The smallest community banks, those with assets less than \$1 billion, were used as “proxies” for the smallest BHCs, which are not required to report annuity fee income. Among these small banks, annuity fee income fell 5.1% to \$65.8 million from \$69.3 million in 2014. Leaders among bank proxies for small BHCs were Sturgis Bank & Trust Company (MI), The Security National Bank of Sioux City, Iowa (IA), FNB Bank, N.A. (PA), Bank Midwest (IA), and The Citizens National Bank of Bluffton (OH).

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 5.3% in 2015, down from 6.0% in 2014. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 15.0%, down from 15.9% in 2014.

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 \$751 per million dollars of retail deposits, down 7.5% from \$812 in 2014. Among the top 50 small banks in annuity penetration, the median Annuity Penetration Ratio was \$1,491 per million dollars of core deposits in 2015, down 2.2% from \$1,525 in 2014.

Among the top 50 BHC leaders in annuity productivity (i.e., annuity income per BHC employee), the median Annuity Productivity Ratio was \$2,748 per employee in 2015, down 3.2% from \$2,837 per employee in 2014. Among the top 50 small banks in annuity productivity, the median Annuity Productivity Ratio was \$4,771 per bank employee, up 0.2% from \$4,709 in 2014.

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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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