

## 1Q2017 bank annuity fee income up 4.2% from 1Q2016

By Editorial Staff      Fri, Jul 7, 2017

*Of 624 bank holding companies (BHC), 280 or 44.9% sold annuities during first quarter 2017. Their \$788.5 million in annuity commissions and fees constituted 35.1% of total BHC insurance sales volume of \$2.24 billion.*

Income earned from the sale of annuities by large bank holding companies in first quarter 2017 rose 4.2%, to \$788.5 million, from \$756.6 million in first quarter 2016, according to Michael White Associates (MWA), which compiled the findings.

The findings are based on data from all 5,856 commercial banks, savings banks and savings associations (thrifts), and 624 large top-tier bank holding and thrift holding companies (collectively, BHCs) with consolidated assets greater than \$1 billion operating on March 31, 2017. Several BHCs that are historically insurance companies are excluded from the report.

Of 624 BHCs, 280 or 44.9% participated in annuity sales activities during first quarter 2017. Their \$788.5 million in annuity commissions and fees constituted 35.1% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage fee income) of \$2.24 billion.

TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME YEAR-TO-DATE MARCH 31, 2017 Nationally							
RANK	YTD ANNUITY INCOME		PERCENT CHANGE 2016 - 2017	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME
	1Q 2017	1Q 2016					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$189,000	\$197,000	-4.06%	WELLS FARGO & COMPANY	CA	\$1,951,103,000	1.99%
2	\$149,000	\$149,000	0.00%	MORGAN STANLEY	NY	\$830,587,000	1.73%
3	\$84,057	N/A	N/A	UBS AMERICA HOLDING	NY	\$140,340,161	3.56%
4	\$60,000	\$64,000	-6.25%	JPMORGAN CHASE & CO.	NY	\$2,536,889,000	0.47%
5	\$26,000	\$17,000	52.94%	CITIGROUP, INC.	NY	\$1,821,617,000	0.36%
6	\$22,000	\$32,000	-31.25%	BANK OF AMERICA CORP.	NC	\$2,242,080,000	0.20%
7	\$17,346	\$22,963	-24.46%	SUNTRUST BANKS, INC.	GA	\$205,949,928	1.96%
8	\$16,959	\$19,726	-14.03%	BB&T CORPORATION	NC	\$220,492,498	1.45%
9	\$16,803	\$18,190	-7.63%	RBC USA HOLDCO CORPORATION	NY	\$147,180,305	1.59%
10	\$15,808	\$14,066	12.38%	KEYCORP	OH	\$133,697,831	2.78%
Source: Michael White Associates (MWA)							

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Of 5,856 banks and thrifts, 762 or 13.0% participated in first-quarter annuity sales activities. Those participating banks and thrifts earned \$189.8 million in annuity commissions, or 24.1% of the banking industry's total annuity fee income. The annuity production of banks and thrifts fell 9.2% from \$209.1 million in first quarter 2016.

Over two-thirds (67.6%) of BHCs with over \$10 billion in assets earned \$762.1 million in first-quarter 2017 annuity commissions, an amount equal to 96.6% of total annuity commissions reported by the banking industry, up 6.2% from the \$717.9 million in annuity fee income earned in first quarter 2016.

Among this over \$10 billion asset class, annuity commissions made up 37.6% of their total insurance-product sales revenue of \$2.03 billion in first quarter 2017. Wells Fargo & Company (CA), Morgan Stanley (NY), UBS Americas Holding (NY), JPMorgan Chase & Co. (NY), and Citigroup Inc. (NY) led all bank holding companies in annuity commission income.

BHCs with assets between \$1 billion and \$10 billion recorded a 32.0% fall in first quarter to \$26.4 million in annuity fee income, down from \$38.8 million in first quarter 2016. These annuity earnings accounted for 12.2% of their total insurance sales income of \$216.6 million. Among BHCs with between \$1 billion and \$10 billion in assets, leaders included First Command Financial Services, Inc. (TX), Wesbanco, Inc. (WV), United Financial Bancorp, Inc. (CT), First Commonwealth Financial Corporation (PA), and NBT Bancorp Inc. (NY).

The smallest banks and thrifts, those with assets under \$1 billion, act as “proxies” for the smallest BHCs, which are not required to report annuity fee income. These banks generated \$12.2 million in first quarter annuity commissions, a 20.4% drop from \$15.4 million in first quarter 2016.

Less than 10% (9.4%) of banks this size engaged in annuity sales activities, the lowest participation rate among all asset classes. Among these banks, annuity commissions constituted the smallest proportion (16.1%) of total insurance sales volume of \$75.9 million.

Leaders among these bank proxies for small BHCs were The Citizens National Bank of Bluffton (OH), First Federal Bank of Louisiana (LA), Bank Midwest (IA), Thumb National Bank and Trust Company (MI), First State Bank (NE), FNB Bank, N.A. (PA), Bank of Clarke County (VA), Heritage Bank USA, Inc. (KY), First Columbia Bank & Trust (PA), and First Neighbor Bank, N.A. (IL).

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 4.9% in first quarter 2017. Among the top 50 small banks and thrifts in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 12.8% of noninterest income.

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