

Bank annuity fee income dips 4.1% in first half of 2015

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Wells Fargo & Company (CA), Morgan Stanley (NY), and Raymond James Financial, Inc. (FL) led all bank holding companies in annuity commission income in first half 2015.

Income earned from the sale of annuities at bank holding companies hit \$1.74 billion, down 4.1% from the first-half record of \$1.81 billion in 2014, according to the Michael White Bank Annuity Fee Income Report.

Second-quarter 2015 annuity commissions slipped to \$898.9 million. It was down 2% from \$916.8 million earned in second quarter 2014, but up 7.0% from \$840.1 million in first quarter 2015 and the third-highest quarterly mark on record.

Wells Fargo & Company (CA), Morgan Stanley (NY), and Raymond James Financial, Inc. (FL) led all bank holding companies in annuity commission income in first half 2015. Among BHCs with assets between \$1 billion and \$10 billion, leaders included Santander Bancorp (PR), Wesbanco, Inc. (WV), and National Penn Bancshares, Inc. (PA).

The report is based on data from all 6,656 commercial banks, savings banks and savings associations (thrifts), and 648 large top-tier bank and savings and loan holding companies (collectively, BHCs) with over \$1 billion in consolidated assets operating on June 30, 2015. Several BHCs that are historically and traditionally insurance companies have been excluded from the report.

TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME YEAR-TO-DATE JUNE 30, 2015 Nationally							
RANK	YTD ANNUITY INCOME		PERCENT CHANGE 2014 - 2015	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME
	2Q 2015	2Q 2014					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$472,000	\$443,000	6.55%	WELLS FARGO & COMPANY	CA	\$1,720,617,000	2.22%
2	\$341,000	\$344,000	-0.87%	MORGAN STANLEY	NY	\$823,368,000	2.15%
3	\$169,882	\$169,828	0.03%	RAYMOND JAMES FINANCIAL	FL	\$24,570,628	7.66%
4	\$97,000	\$115,000	-15.65%	JPMORGAN CHASE & CO.	NY	\$2,439,898,000	0.44%
5	\$71,000	\$83,000	-14.46%	BANK OF AMERICA CORP.	NC	\$2,145,769,000	0.35%
6	\$54,592	\$59,639	-8.46%	SUNTRUST BANKS, INC.	GA	\$189,107,850	3.23%
7	\$36,000	\$44,000	-18.18%	CITIGROUP INC.	NY	\$1,829,280,000	0.27%
8	\$34,000	\$37,000	-8.11%	U.S. BANCORP	MN	\$419,075,000	0.81%
9	\$31,199	\$28,752	8.51%	BB&T CORPORATION	NC	\$191,011,232	1.56%
10	\$26,817	\$30,581	-14.21%	BBVA USA BANCHSARES, INC.	TX	\$88,470,749	7.38%
Source: Michael White Bank Annuity Fee Income Report							

Of the 648 BHCs, 305 or 47.1% participated in annuity sales activities during first half 2015.

Their \$1.74 billion in annuity commissions and fees constituted 18.7% of their total mutual fund and annuity income of \$11.24 billion and 36.0% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$4.83 billion. Of the 6,348 banks, 861 or 13.6% participated in first-half annuity sales activities. Those participating banks earned \$389 million in annuity commissions or 28.6% of the banking industry's total annuity fee income; their annuity income production was down 10.7% from \$435.4 million in first half 2014.

"Of 305 large top-tier BHCs reporting annuity fee income in first half 2015, 189 or 62.0% are on track to earn at least \$250,000 this year. Of those 189, 63 BHCs or 33.3% achieved double-digit growth in annuity fee income for the quarter," said Michael White, president of Michael White Associates (MWA), in a release.

"That's more than a halving from first half 2014, when 127 institutions or 58.3% of 218 BHCs on track to earn at least \$250,000 in annuity fee income achieved double-digit growth. However, the number and percentage of BHCs with double-digit growth is more typical in past years. The best news is the strength of annuity revenue in second quarter 2015, which is one of the best quarters in history and up 7.0% from first quarter."

Two-thirds (67.7%) of BHCs with over \$10 billion in assets earned first-half annuity commissions of \$1.66 billion, constituting 95.2% of total annuity commissions reported by BHCs. This revenue represented a decrease of 2.0% from \$1.69 billion in annuity fee income in first half 2014.

Within this asset class of largest BHCs in the first half, annuity commissions made up 27.7% of their total mutual fund and annuity income of \$9.10 billion and 38.0% of their total insurance sales volume of \$4.36 billion.

Annuity fee income at BHCs with assets between \$1 billion and \$10 billion fell 28.9%, from \$108.3 million in first half 2014 to \$77.0 million in first half 2015 and accounting for 19.1% of their total insurance sales income of \$403.1 million.

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. Leaders among bank proxies for small BHCs were Sturgis Bank & Trust Company (MI), The Oneida Savings Bank (NY), and FNB Bank, N.A. (PA). These banks with less than \$1 billion in assets generated \$33.89 million in annuity commissions in first half 2015, down 4.9% from \$35.63 million in first half 2014.

Only 10.3% of banks this size engaged in annuity sales activities, which was the lowest participation rate among all asset classes. Among these proxy banks, annuity commissions constituted the smallest proportion (19.0%) of total insurance sales volume of \$178.7 million.

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 6.2% in first half 2015. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 15.4% of noninterest income.

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