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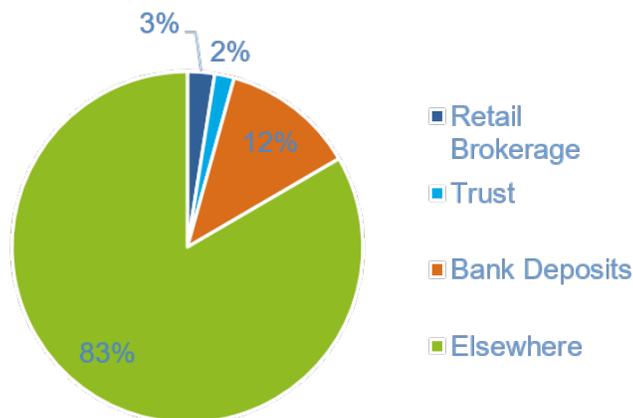
Banks Capturing Thin Slice of Customers' Assets

CHAPEL HILL, NC NOVEMBER 28, 2016: Banks have a tremendous opportunity to become the primary provider of financial advice. Their customers have more than \$24 trillion in investible assets. But the typical banking enterprise—encompassing deposit gathering units, Trust, asset management and retail securities brokerage— is capturing a very thin share of those assets.

This was one of the conclusions reached by the Kehrer Bielan study group of executives responsible for the bank wealth management business in their meeting November 9th and 10th.

“The situation is particularly stark among the large banks with their own broker dealer,” commented Dr. Kenneth Kehrer, who moderated the meeting. “We were able to assemble data on assets under administration, bank deposits, and investible assets for 19 of the largest two dozen retail banks. On average, the typical large bank captured only 17% of its customers’ investible assets,” he added.

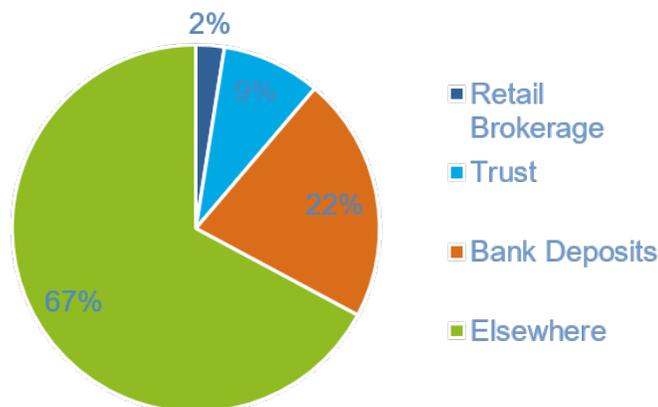
Share of Bank Customer Households' Investible Assets: Banks with BDs



The average bank broker dealer has captured only 3% of the banking customers' investible assets, while the bank's Trust and asset management business lines administer another 2%. The bank's customers hold 12% of their investible assets on deposit at the bank.

"The 1,700 banks that partner with third party broker dealers have significantly better penetration of customer investible assets," noted Kehrer. "The average regional or community bank has one-third of its customers' assets under administration, but that is due to better Trust and core deposit penetration, not securities brokerage."

Share of Bank Customer Households' Investible Assets: Banks that Partner with 3rd Party BDs



The study group discussed barriers to better penetration, including lack of integration across business lines, disparate delivery platforms, and lack of tools to manage customer relationships. Participants shared their views of best practices in overcoming these systemic barriers.

"We developed the penetration estimates by combining several databases," explained Tim Kehrer, a senior research analyst at the firm. "The data on investible assets come from the *MacroMonitor*, the gold standard of consumer financial surveys. The brokerage assets are from our benchmarking surveys of banks and the third party broker dealers. And we pulled data from the FDIC call reports for deposits and the Trust and asset management business."

The Kehrer Bielan Bank Wealth Management Study Group brings together executives responsible for the broad wealth management businesses in the institution. Participants tend to be the top executive responsible for Trust, asset management, and retail securities

brokerage, and sometimes Private Banking (High Net Worth Lending). The objective of the study group is to find ways to better integrate the delivery of wealth management services to improve both the client experience and the profit contribution of the business.

In addition to the discussion of asset penetration, the group also discussed compensation for business development, how the DoL Fiduciary standard will impact wealth management, and reviewed the latest Kehrer Bielan consumer research on the preferences and attitudes of the wealthy.

About Kehrer Bielan Research & Consulting. KBR&C provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. The firm provides performance assessment and benchmarking, human resource management and development, due diligence, consumer insights, and interpretation of industry trends through its original research, unbiased consulting, and peer study groups.

Please visit us at www.KehrerBielan.com or e-mail info@kehrerbielan.com for more information.