PRESS RELEASE

Financial Institutions Experience Setbacks in Investment Services Revenue and Advisor Productivity during 2015

Kehrer Bielan's Annual Checkup Finds Banks and Credit Unions that Partner with TPMs Overcome Headwinds by Adding Advisors

Chapel Hill, March 15, 2016: According to Kehrer Bielan Research & Consulting's fourth *Annual Checkup*, banks and credit unions experienced a decline of 4.5 percent in gross revenue from investment services in 2015. The setback was concentrated in banks with their own broker-dealer, where revenue fell by 6.2 percent. Revenue increased 1 percent in regional and community banks and credit unions that partner with third-party broker-dealers (TPMs).

INVEST Financial Corporation (INVEST), a full-service broker-dealer that provides investment products and services to independent advisors and financial institutions nationwide, has sponsored the *Annual Checkup* for the last four years. The *Checkup* examines the health of investment services in banks and credit unions, drawing both on proprietary surveys and industry data. The report explores the separate performance of institutions with their own broker-dealers and banks and credit unions that partner with TPMs.

"INVEST is pleased to continue to sponsor this critical study on the state of investment services in banks and credit unions," said Steve Dowden, president and chief executive officer of INVEST and executive vice president of Operations for National Planning Holdings®, Inc. (NPH), INVEST's broker-dealer network. "We use the *Annual Checkup* as a key measurement tool to evaluate ourselves and to ensure we are delivering the best possible services to our customers."

This year's report found the average production of the typical financial advisor working in a financial institution dropped 5.1 percent to $366,428. Advisors in banks with their own broker-dealers continued to outperform their colleagues in regional and community banks and credit unions, but both groups produced less on average than in 2014. 2015's weak first quarter and poor fourth quarter negated the strong mid-year performance.

"Advisors in institutions that partner with TPMs suffered a less severe decline, in part because their production is less dependent on fees from assets under administration, which the market devalued during the year," said Tim

Kehrer, senior research director at Kehrer Bielan. "Advisors in banks with their own broker-dealers are further along in their transition to fee-based business."

The number of advisors working in financial institutions increased 1.6 percent. Banks and credit unions that partner with TPMs led the way, increasing their advisor headcount for the third consecutive year, this time by 5.6 percent. By increasing their contingent of financial advisors, the banks and credit unions that partner with TPMs were able to offset a decline in advisor productivity.

The bank broker-dealers, on the other hand, suffered a small decline in advisor headcount. Many bank broker-dealers reported a significant number of new advisor hires, but no net gain in their advisor force, due to attrition. This decline reflects the challenges of both recruiting and retaining these advisors.

"For the past few years, revenue growth has been driven by gains in advisor productivity," said Peter Bielan, a principal at Kehrer Bielan. "However, since we have seen productivity growth slowing, meaningful future revenue growth will depend on greater success in adding and retaining advisors. One might say that recruiting and retention is job 1 for the managers of investment services inside a financial institution."

Kehrer Bielan has found that optimum advisor coverage is now less than $125 million in consumer deposits per advisor. However, the typical bank or credit union has only one advisor for every $302 million in consumer deposits.

"The typical financial institution could double its advisor force and still have room to grow," Kehrer added.

In 2015, the number of banks and credit unions offering investment services shrank even as the percentage of financial institutions providing investment advice to their customers or members continued to increase as the industry further consolidated. Currently, the banks with their own broker-dealers account for two-thirds of the advisors in financial institutions and three-fourths of the investment services revenue.

The 2015 *Annual Checkup* also provided highlights of Kehrer Bielan research findings for the year, including trends in advisor compensation, the profit contribution of investment services, designing an effective advisor compensation plan and the firm's consumer research on millennials. To download a copy of the report, please visit INVESTCheckup.com.

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 and compensation reviews, due diligence, consumer insights, and interpretation of industry trends through its original research, consulting, and peer study groups.

About INVEST Financial Corporation: Founded in 1982, INVEST Financial Corporation (www.investfinancial.com) is a full-service broker-dealer that provides investment products and services to independent advisors and financial institutions nationwide.

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