

CRAMER PEER BENCHMARKING REVENUE REPORT

The 2022 Bank BD Year-in-Review

When everything (markets, rates, inflation, politics, ad nauseum) around us is swirling, it's useful to have some hard data to ground your business decisions. That's why we create the *Cramer Peer Benchmarking Revenue Report*. (And why we are so grateful to everyone who chooses to participate.)

While these charts speak for themselves, here is some commentary you might find useful.

(Note: If you'd like to use these charts in your presentations to your ELT, we are happy to customize them with your branding, colors and highlighting of your firm's data.)

Benchmarking Data

- **29 Bank BDs Reporting.** Our data is based on the on the direct reporting of a curated list of 29 Bank BDs.
- **\$3.61 BILLION.** The Total Annual Revenue of all 29 reporting banks for the full-year 2022.
- **+5.7%. % YTD Revenue Up vs. 2021.** Year-to-date Total BD Revenue increased on average +5.7%, a slowdown from the +9.2% YTD seen at the mid-way point of 2022. Bank BDs with Total Annual Revenue of less than \$25 million have seen the highest rate of growth YTD, up +9.6% YOY.
- **Half a Trillion Dollars.** These Bank BDs represent almost half a trillion in BD AUM. (The exact number is \$478.4 billion in BD AUM as of Dec. 31, 2022.)
- **-5.1%. BD AUM Drops.** Total BD AUM YTD is down -5.1%.
- **-12.1%. Managed Money AUM Down Double Digits.** Managed Money AUM dropped -12.1% during 2022.
- **4,519. Advisor Headcount Increases Slightly.** Recruiting was a challenge in 2022. Many BDs started grown-your-own programs to increase Advisor headcount. Second-Story Advisor Programs continued to expand and Sunsetting Programs were codified in an effort to retain (and attract) Advisors. Headcount grew at an average rate of 5%, however this was mainly due to smaller Bank BDs growing staff.
- **+51. Net Advisor Headcount Growth.** The net increase in Advisor headcount in 2022 was 51 advisors, from 4,468 Advisors on 1/1/22 to 4,519 Advisors on 12/31/22.
- **\$112,461,179. AUM per Advisor.** AUM per Advisor declined -6.19% to **\$112,461,179**.
- **\$667,475. Revenue Per Advisor (RPA).** Revenue per Advisor in 2022 was on average \$667,476. This was a +4.69% increase year over year.
- **\$798,849. Revenue per Advisor (RPA) in aggregate.** This is a simple math calculation of total BD revenue in 2022 (\$3.61b) divided by totally number of Advisors (4,519). But that's just the tip of the iceberg. Let's look below the waterline.
 - **\$667,475 RPA** was the average of the averages. The delta between the higher aggregate RPA and the lower average RPA means smaller firms had lower average RPA. Here are the details:
 - **\$690,315. Large BD RPA.**
 - **\$811,819. Medium BD RPA.**
 - **\$498,395. Small BD RPA.**

Note: Large BDs > \$75m Revenue. Medium BDs = \$25m - \$75m Rev. Small BDs < \$25m Rev.

Important Footnote: There are stories behind the statistics that you should know about. For example, a BD can experience higher RPA because of 2 very different reasons: Higher revenue growth (the numerator) or Advisor attrition (the denominator). The same RPA can tell two very different stories. The former sets the foundation for future growth while the latter portends a drastically lower RPA next year. For more insights like this, reach out to Todd or Jack directly.

What We're Hearing Now

- **Staying the Course:** Managed Money AUM has fallen primarily due to market conditions. New money flows are low and unable to offset market impacts. Good News: There is a silver lining in comparison to similar challenging markets: clients have not been quick to move their funds out of managed money programs.
- **The Annuity Tailwind:** Short duration MYGAs and Fixed Indexed Annuities helped BDs meet their revenue targets. The combination of rising interest rates and consumers' desire for quality and safety, powered record annuity sales volumes. Without this annuity lifeline, many BDs would not have experienced positive year-over-year results.
- **Treasuries, Yes, Treasuries:** Firms observed a surge in sales of treasuries due to the spread between bank rate products and treasury yields. Clients transferred substantial amounts of money from bank balance sheets to treasuries. Savvy BDs are capitalizing on this opportunity by highlighting Fixed Income Portfolios in Managed Accounts as a viable alternative.
- **BDSPs:** (Bank Depository Sweep Programs) generated significant revenue for bank-owned BDs. (Note: Due Diligence Works, Inc. (DDW) offers "Rate Analysis and Program Management" consulting for firms who currently have or are interested in starting a BDSP.)
- **Disintermediation** has resurfaced in some corners. A term that we haven't heard in years is being thrown around at some banks who have a thirst for deposits and feel a need to defend their bank products against attractive non-bank rate-driven alternatives.
- **Structured Products** returned to prominence. Market-Linked CDs and Principal-Protected Notes were up at firms due to rising rates and the issuers' ability to price competitive products.
- **Mutual Fund** and Equity sales volumes remain in the low to very low category at Bank BDs.

Our Closing Thoughts

- When we talk with our colleagues who measure their time in the industry in decades not years, they remind us that 2022 may have been unique but it does not qualify as "never before seen." The fundamentals of our industry remain the same: Focus on what you can control. Focus on the long-term. Focus on leadership.

*Note: None of this commentary was written by ChatGPT.

Bank BD Revenue thru December*

Bank BD Size	YoY Dec	MoM Nov-Dec	YoY Dec YTD
All Bank BDs	+6.3%	+6.1%	+5.7%
75m+	+2.8%	+3.9%	+1.3%
25-75m	+5.8%	+7.7%	+7.6%
<25m	+8.9%	+6.8%	+8.7%
Top Quartile	+19.9%	+10.2%	+14.6%

*29 Bank BDs reporting. Representing \$3.61b in Revenue.

Bank BD AUM through December*

Bank BD Size	MM AUM YoY	Total BD AUM YoY
All Bank BDs	-12.1%	-5.1%
75m+	-13.3%	-5.7%
25-75m	-13.1%	-0.6%
<25m	-10.4%	-6.7%
Top Quartile	-8.8%	+4.2%

*27 Bank BDs reporting. Representing \$478.4b in AUM.