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Low- and No-Capital Revenue Opportunities for Financial Institutions



The pressure to perform as a financial institution has never been more acute. Margins are thinner. Costs are rising. Boards are asking harder questions about profitability and long-term resilience.

The good news? Some of the most effective revenue strategies available today require little to no capital outlay.

Here's what you need to know.

The Profitability Pressure Is Real

If running a profitable financial institution feels harder than it used to, that's because it is.

Net interest margin (NIM) — the traditional engine of banking revenue — has been squeezed from multiple directions. The FDIC Quarterly Banking Profile Fourth Quarter 2025 showed that the industry's NIM increased 5 basis points from the prior quarter to 3.39 percent, the highest level since 2019.

Rate volatility, intense deposit competition, and the escalating cost of technology and compliance investments have all taken their toll. At the same time, shareholders, members, and boards expect more: stronger returns, greater efficiency, and insulation from the next lending cycle downturn.

Successful institutions share one common trait: they've diversified beyond the spread.

They generate meaningful revenue that doesn't depend on loan growth, rate conditions, or additional capital reserves. And many of them built those revenue streams with surprisingly modest investment.

Non-interest income isn't new. But the urgency to develop it strategically — without adding balance sheet pressure — has never been greater.

Why Non-Interest Income Is a Strategic Imperative

For decades, banks and credit unions could rely on net interest margin to carry performance. That model worked reasonably well in stable rate environments with predictable loan demand.

Today, that comfort zone has narrowed considerably.

According to Alacriti, non-interest income now constitutes a larger percentage of overall earnings... about 35% of total income for U.S. banks totaling about \$295 billion.

The strategic appeal of non-interest income comes down to three advantages:

1. Independence from the rate cycle.

Fee- and commission-based revenue doesn't contract when margins compress or loan demand slows.

2. Minimal capital impact.

Unlike loan growth, generating fee income doesn't require additional capital reserves or expand risk-weighted assets — a significant benefit for institutions managing capital carefully.

3. Stronger competitive positioning.

Top-performing community institutions consistently generate a higher proportion of revenue from non-interest sources than their peers. Regulators and analysts view diversified revenue streams as a sign of strength, stability, and sound management. A balanced revenue mix can positively influence CAMELS ratings, investor perception, and long-term franchise value.

The question is no longer whether to pursue non-interest income. The question is where to start and how to do it efficiently.

Proven Low- and No-Capital Revenue Strategies

When executives evaluate non-interest income opportunities, they often begin with a handful of proven approaches.

1. Fee-Based Service Optimization
2. Mortgage Gain-on-Sale Income
3. Wealth Management and Investment Services
4. Card Interchange Optimization
5. Insurance Partnerships: A Standout Opportunity

Among all non-interest income strategies available today, insurance partnerships deserve special attention.

They are:

- Accessible
- Scalable
- Capital-light
- Aligned with the trusted advisor role banks and credit unions already hold

Why Insurance Makes Strategic Sense

From the customer's perspective, insurance is a natural extension of the banking relationship.

When they need a mortgage, they come to you.

When they need a car loan, they come to you.

When they're planning for retirement, they seek your guidance.

Insurance fits seamlessly into those moments, and customers are often more receptive to protection conversations with their financial institution than with an unfamiliar insurance agent.

How Third-Party Insurance Partnerships Work

In a third-party model:

- Your institution does **not** become an insurance carrier.
- You do **not** manage underwriting or claims.
- You do **not** assume actuarial risk.

A trusted partner handles licensing, compliance, underwriting, and servicing. Your institution simply provides customers access to relevant insurance solutions and earns commission income on policies placed.

When you work with a partner like **Franklin Madison**, the model is designed to be truly turnkey.

We provide:

- **Access to multiple top-rated carriers**, giving your customers competitive options — not a single-product solution.
- **Data-driven, multi-channel marketing** that aligns with your brand and maximizes response.
- **Built-in compliance and program management**, minimizing operational lift for your team.
- **Ongoing testing and performance optimization** to drive sustainable non-interest income.

The result is simple: expanded protection offerings, stronger customer relationships, and meaningful revenue growth — without added balance sheet risk or operational complexity.

The capital outlay? Effectively zero.

Product Opportunities

Insurance offerings can be tailored to your institution's customer base, including:

- Life insurance
- Accidental death & dismemberment (AD&D)
- Property and casualty

Each aligns naturally with existing loan, deposit, and advisory relationships.

For example:

- Mortgage customers need homeowners' insurance.
- Auto loan borrowers need auto coverage.
- Aging consumers may need additional accident and sickness coverage.

These are not new needs — they are needs your customers are already addressing elsewhere.

The Importance of the Right Partner

Not all partnerships are equal.

The strongest third-party insurance partners:

- Understand the bank and credit union regulatory environment
- Manage licensing and compliance end-to-end
- Provide turnkey staff training
- Offer transparent commission structures
- Integrate seamlessly into your culture and brand

The relationship should feel like an extension of your team — not an outside vendor.

The Compounding Revenue Effect

Insurance income is particularly powerful because it compounds.

Unlike one-time fees, many policies generate renewal commissions year after year. As your book of business grows, recurring revenue builds on itself, creating durable, predictable income streams.

For institutions serious about long-term diversification, few strategies offer this level of recurring impact with so little balance sheet strain.

A Low-Risk Path to a Stronger

Bottom Line

Revenue diversification isn't a new idea.

But the urgency to act strategically has never been higher.

The institutions that will be strongest five years from now are those making deliberate moves today, while capital-light opportunities remain available and competitive windows are still open.

Insurance partnerships, in particular, represent one of the most compelling entry points:

- No capital required
- No carrier risk
- No need to build infrastructure from scratch
- Immediate opportunity to deepen relationships

The first step is straightforward:

1. Evaluate your current non-interest income mix.
2. Identify gaps where customers are already spending money elsewhere.
3. Assess which partnerships competitors are leveraging successfully.

From there, the path becomes clearer. The right partner can help you quantify the opportunity, align it to your culture, and accelerate time to revenue.

Margin pressure isn't going away.

But the tools to respond — and strengthen your bottom line without straining your balance sheet — are closer than you might think.

Interested in exploring how an insurance partnership could work for your institution? Contact us to start the conversation.



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