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## Bank BOLI Assets Reach Nearly \$109 Billion in First Half 2007 According to Report Issued by Michael White and MullinTBG

**FOR IMMEDIATE RELEASE** – Radnor, PA, and Los Angeles, CA, October 23, 2007 – Large bank holding companies (BHCs) and stand-alone banks reported bank-owned life insurance (BOLI) assets of \$108.6 billion in the first six months of 2007, reflecting an 11.1% increase from \$97.6 billion in the first half of 2006, according to *The Michael White-MullinTBG BOLI Holdings Report*<sup>TM</sup>. BOLI is used to recover the cost of supplemental employee health insurance benefits and to offset the liabilities of retirement benefits.

Compiled by Michael White Associates, LLC (MWA) and sponsored by MullinTBG, *The Michael White-MullinTBG BOLI Holdings Report*<sup>TM</sup> measures and benchmarks the cash surrender values (CSV) of life insurance and ratio of CSV to capital possessed by BHCs and banks. The data are reported by 863 large top-tier BHCs, with consolidated assets of at least \$500 million, and nearly 7,800 commercial banks and FDIC-supervised savings banks operating on June 30, 2007. Among the study's most significant findings are these:

- Large top-tier bank holding companies increased their BOLI holdings by 11.8% from \$94.4 billion in first half 2006 to \$105.6 billion in first half 2007. (See Table 1.)
- Stand-alone banks, those without bank holding companies, recorded an added \$2.58 billion in BOLI holdings. Another 66 BHCs with assets between \$300 million and \$500 million reported \$382.9 million in BOLI assets. Including these additional sources, the industry total of reported BOLI holdings increased 11.1% from \$97.64 billion in first half 2006 to \$108.57 billion in first half 2007.
- Total industry BOLI holdings increased 4.5% from \$103.90 billion at year-end 2006 to \$108.57 billion year-to-date on June 30, 2007.
- Of 863 large BHCs with assets greater than \$500 million, 689 or 79.8% reported holding BOLI assets in first half 2007. That represented an increase of 4.2% from 661 BHCs reporting BOLI in the comparable period of 2006. (See Table 2.)
- BHCs with assets between \$1 billion and \$10 billion had the highest rate of reporting BOLI assets, as 306 of 365 BHCs, or 83.8%, reported having BOLI assets in the first six months of 2007.
- The largest bank holding companies, those over \$10 billion in assets, accounted for the largest dollar and percentage increase – \$10.1 billion or 12.2% – in their combined BOLI assets. BHCs with assets between \$1 billion and \$10 billion registered the second largest percentage increase in total BOLI assets, rising 11.0% from \$8.89 billion in the first half of 2006 to \$9.87 billion in first half 2007. (See Table 1.)
- The largest increase in the number of BHCs reporting BOLI assets occurred among BHCs with \$1 billion to \$10 billion in assets. Their number increased by 21 from 285 BHCs in first half 2006 to 306 in first half 2007. (See Table 2.)

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- According to the Federal Reserve, it is generally not prudent for a BHC to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of the sum of the institution’s Tier 1 capital and the allowance for loan and lease losses. The largest BHCs, those over \$10 billion in assets, recorded the highest mean BOLI assets as a percent (16.36%) of total capital at mid-year 2007. (See Table 3.)
- Nationally, mean BOLI assets as a percent of total capital increased from 13.23% in first half 2006 to 13.55% in first half 2007. (See Table 3.) However, this ratio was considerably lower than year-end 2005, when it reached 20.1%. The significant decrease in this ratio since 2005 was due to a reporting requirement change. The former requirement was that BOLI assets only be reported when they reached a threshold of 25% of certain “other assets” on the balance sheet. The new requirement in 2006 was that BHCs with assets greater than \$500 million and all banks report all their BOLI assets. For these additional BHCs, the ratio of BOLI assets to capital was typically lower and, therefore, helped to decrease the mean ratio.

<b>Table 1. Total BOLI Assets (in billions) Held by Bank Holding Companies in First Half 2007</b>			
<b>Large BHCs by Asset Size</b>	<b>1<sup>st</sup> half 2007</b>	<b>1<sup>st</sup> Half 2006</b>	<b>Percent Change</b>
Over \$10 billion	\$92.75	\$82.66	12.2%
\$1 billion - \$10 billion	\$ 9.87	\$ 8.89	11.0%
\$500 million - \$1 billion	\$ 2.99	\$ 2.86	4.3%
All	\$105.61	\$94.42	11.8%

Source: *Michael White-MullinTBG BOLI Holdings Report – 2007*

<b>Table 2. Number of Large Bank Holding Companies Reporting BOLI Assets in First Half 2007</b>			
<b>Large BHCs by Asset Size</b>	<b>1<sup>st</sup> half 2007</b>	<b>1<sup>st</sup> Half 2006</b>	<b>Percent Change</b>
Over \$10 billion	61	60	1.7%
\$1 billion - \$10 billion	306	285	7.4%
\$500 million - \$1 billion	322	316	1.9%
All	689	661	4.2%

Source: *Michael White-MullinTBG BOLI Holdings Report – 2007*

<b>Table 3. Mean BOLI Assets as a Percentage of the Sum of Tier 1 Capital + Allowance for Loan &amp; Lease Losses in First Half 2007</b>			
<b>Large BHCs by Asset Size</b>	<b>1<sup>st</sup> half 2007</b>	<b>1<sup>st</sup> Half 2006</b>	<b>Percent Change</b>
Over \$10 billion	16.36%	15.94%	2.6%
\$1 billion - \$10 billion	13.10%	12.43%	5.4%
\$500 million - \$1 billion	13.45%	13.44%	0.1%
All	13.55%	13.23%	2.4%

Source: *Michael White-MullinTBG BOLI Holdings Report – 2007*

**About the *Michael White-MullinTBG BOLI Holdings Report*<sup>™</sup>**

*The Michael White-MullinTBG BOLI Holdings Report*<sup>™</sup> measures and benchmarks the cash surrender values (CSV) of life insurance held by bank holding companies and banks and their ratios of CSV to capital. It is one of several reports dealing with bank fee income activities published by Michael White Associates, LLC (MWA), a bank insurance consulting firm headquartered in Radnor, PA. Another report, *The MWA BOLI Capital Concentration Report*<sup>™</sup>, meets the regulatory requirement that each banking company conduct a peer analysis of their BOLI holdings relative to capital and statistically assess whether its BOLI program is an outlier. All reports may be purchased online at [www.BankInsurance.com](http://www.BankInsurance.com) or by mail.

MullinTBG is the exclusive sponsor of *The Michael White-MullinTBG BOLI Holdings Report*<sup>™</sup>. MullinTBG is one of the nation's largest providers of nonqualified executive benefits, with more than 600 customized plans and \$21 billion in total assets (as of September 30, 2007) representing over 50,000 corporate executives. The firm operates two client service centers, one from its Los Angeles headquarters and one from Chicago, and has regional offices in Baltimore, Boston, Dallas, New York and Newport Beach. For more information, please visit [www.MullinTBG.com](http://www.MullinTBG.com).

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