



MICHAEL WHITE - MEYER-CHATFIELD BOLI HOLDINGS REPORT™

3 Q 2010

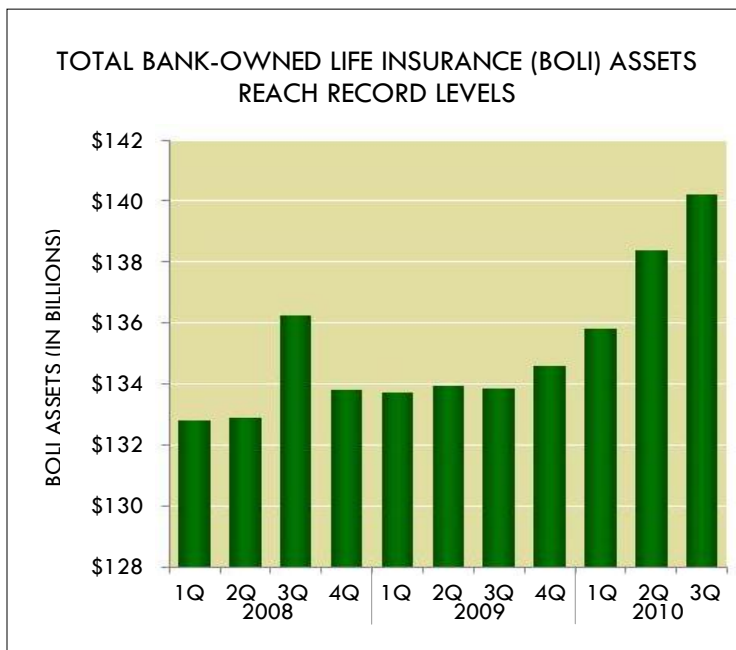
EXECUTIVE SUMMARY

February 28, 2011

Bank-owned life insurance (BOLI) assets reached \$140.24 billion in the third quarter of 2010, reflecting a 4.8% increase from \$133.87 billion in third quarter 2009, according to the *Michael White/ Meyer-Chatfield BOLI Holdings Report*. The third quarter 2010 total for BOLI holdings is the sum of BOLI assets held by large bank holding companies (BHCs), stand-alone banks, and savings associations (i.e., thrifts). BOLI is used to recover costs of employee benefits and offset the liabilities of retirement benefits, helping banks and thrifts to keep up with rising benefit costs.

Compiled by Michael White Associates, LLC (MWA) and sponsored by Meyer-Chatfield, the *Michael White/ Meyer-Chatfield BOLI Holdings Report* measures and benchmarks the cash surrender values (CSV) of life insurance and ratio of CSV to capital possessed by BHCs and banks and thrifts. The data herein were reported by 915 large top-tier BHCs with assets greater than \$500 million and 7,760 commercial banks, thrifts and FDIC-supervised savings banks operating on September 30, 2010. Among the study's most significant findings are these:

- Large top-tier BHCs increased their BOLI holdings by 5.1% from \$123.91 billion in third quarter 2009 to \$130.21 billion in third quarter 2010.
- Of 1,409 stand-alone banks, those without BHCs, 432 or 30.7% recorded \$2.94 billion in third-quarter BOLI holdings, up 23.3% from \$2.38 billion in third quarter 2009.
- Of 740 savings association, 340 or 45.9% recorded \$7.10 billion in BOLI holdings, down 6.2% from \$7.57 billion in third quarter 2009.
- Of the 915 large top-tier BHCs, 744 or 81.3% reported holding BOLI assets in third quarter 2010, representing a 0.8% increase in their number from the 738 in third quarter 2009.



- Among BHCs, those with assets greater than \$10 billion reported the highest incidence of BOLI ownership, as 66 of 77 BHCs, or 85.7%, reported having BOLI assets.
- Of 7,760 banks and savings associations operating on September 30, 2010, 3,792 or 48.9% reported holding BOLI assets of \$125.57 billion, an increase of 3.0% from \$121.86 billion in third quarter 2009.
- The total number of banks and thrifts reporting BOLI assets decreased 67 or 1.7% from 3,859 in third quarter 2009 to 3,792 banks and thrifts in third quarter 2010. (See Table 2.)

- Among banks and thrifts, those with assets between \$1 billion and \$10 billion were most likely to report BOLI assets, as 409 of 556 banks and thrifts or 73.6% reported having them in the third quarter of 2010.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$3.56 billion) and largest percentage increase (3.7%) in their combined BOLI assets. (See Table 1.)
- Almost every asset class, except banks and thrifts with assets between \$100 million and \$300 million, experienced a decrease in the number of banks and thrifts reporting BOLI assets. The largest decrease occurred among depository institutions under \$100 million in assets. Their number decreased by 4.7% from 902 in third quarter 2009 to 860 banks and thrifts in third quarter 2010. Declines in banks and thrifts reporting BOLI assets generally did not reflect decisions to leave the BOLI market. The declines were primarily due to some banks and thrifts merging or being sold with FDIC assistance. (See Table 2.)
- According to federal banking regulators, it is generally not prudent for a banking company to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of the sum of the institution's total capital. (Depending on the bank's charter, total capital is defined either as Tier 1 capital or the sum of Tier 1 capital and the allowance for loan and lease losses). Nationally, mean bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased only slightly (1.1%) from 14.60% in third quarter 2009 to 14.76% in third quarter 2010. (See Table 3.)
- Among the largest bank holding companies (BHCs) with assets over \$10 billion, the 6.9% increase in allowances for loan and lease losses from \$210.4 billion in the third quarter of 2009 to \$224.9 billion in the third quarter of 2010 helped produce a 3.8% increase in the sum of Tier 1 Capital and the allowances. By comparison, Tier 1 capital rose 3.1% during the same period. These increases in capital and allowances for losses among the largest BHCs helped keep a lid on their mean BOLI-to-capital ratios and those of the industry as a whole, as they rose, respectively, 5.2% and 1.1% by third quarter 2010.

Table 1. Total BOLI Assets (in billions) Held by Banks and Thrifts through Third Quarter 2010			
Banks & Thrifts by Asset Size	3Q 2010	3Q 2009	Percent Change
Over \$10 billion	\$99.86	\$96.30	3.7%
\$1 billion - \$10 billion	\$13.07	\$13.15	-0.6%
\$500 million - \$1 billion	\$ 4.75	\$ 4.61	3.0%
\$300 million - \$500 million	\$ 3.07	\$ 3.10	-1.0%
\$100 million - \$300 million	\$ 3.91	\$ 3.80	2.9%
Under \$100 million	\$ 0.91	\$ 0.90	0.9%
All	\$125.57	\$121.86	3.0%
Source: Michael White/ Meyer-Chatfield BOLI Holdings Report™			

Table 2. Number of Banks and Thrifts Reporting BOLI Assets through Third Quarter 2010			
Banks & Thrifts by Asset Size	3Q 2010	3Q 2009	Percent Change
Over \$10 billion	75	76	-1.3%
\$1 billion - \$10 billion	409	417	-1.9%
\$500 million - \$1 billion	491	496	-1.0%
\$300 million - \$500 million	518	538	-3.7%
\$100 million - \$300 million	1,439	1,432	0.5%
Under \$100 million	860	902	-4.7%
All	3,800	3,900	-2.6%
Source: Michael White/ Meyer-Chatfield BOLI Holdings Report™			

Table 3. Mean Bank and Thrift BOLI Assets as a Percentage of the Sum of Tier 1 Capital + Allowance for Loan & Lease Losses through Third Quarter 2010			
Banks & Thrifts by Asset Size	3Q 2010	3Q 2009	Percent Change
Over \$10 billion	14.43%	13.72%	5.2%
\$1 billion - \$10 billion	13.71%	13.79%	-0.6%
\$500 million - \$1 billion	14.08%	13.99%	0.6%
\$300 million - \$500 million	15.12%	14.99%	0.9%
\$100 million - \$300 million	14.55%	14.47%	0.5%
Under \$100 million	15.82%	15.35%	3.1%
All	14.76%	14.60%	1.1%
Source: <i>Michael White/ Meyer-Chatfield BOLI Holdings Report</i> TM			

About the Michael White-Meyer-Chatfield BOLI Holdings ReportTM

The *Michael White/Meyer-Chatfield BOLI Holdings Report* measures and benchmarks the cash surrender values (CSV) of life insurance held by bank holding companies, banks and thrifts 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, and at www.BankInsurance.com. Another report, the *MWA BOLI Capital Concentration ReportTM*, meets the regulatory requirement that each banking company must conduct a peer analysis of their BOLI holdings relative to capital and statistically assess whether its BOLI program is an outlier. Additionally, *MWA Fee Income Ratings ReportsTM* compare, rank and rate a particular financial institution’s insurance or other noninterest fee income program nationally, regionally, statewide and by asset-peer group.

Meyer Chatfield, Corp. has become the BOLI resource for America’s banks and thrifts because of o3r history of providing consultation, education and service to our clients. Our primary mission is assisting financial institutions in crafting and deploying valuable, tax advantaged, BOLI strategies. Meyer-Chatfield has initiated, managed and serviced billions of dollars in BOLI transactions for hundreds of banks and thrifts nationwide. The company is committed to compliance; its principals have been advisors to the regulators since 1994 and worked with the OCC on the inter-agency guidance for BOLI, OCC 2004-56. Meyer-Chatfield’s headquarters are in Jenkintown, PA with expert consultants in offices nationally. For the most extensive set of unified BOLI information online, go to www.meyerchatfield.com.

For additional information contact:



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