

N E W S R E L E A S E

**Equias Alliance/Michael White Report
BOLI Assets Exceed \$156 Billion at End of 2015**

FOR IMMEDIATE RELEASE – *Memphis, TN, and Radnor, PA, March 21, 2016* – Bank-owned life insurance (BOLI) assets reached \$156.2 billion in 2015, reflecting a 4.4% increase from \$149.6 billion in 2014. BOLI assets held by commercial banks, savings banks and savings associations, according to the *Equias Alliance/Michael White Bank-Owned Life Insurance (BOLI) Holdings Report™*.

BOLI is used to recover costs of employee benefits and offset liabilities for retirement benefits. BOLI may be differentiated by three types of assets: separate account life insurance (SALI) assets, also referred to as variable separate account life insurance assets; general account life insurance (GALI) assets; and hybrid account life insurance (HALI) assets, also referred to as hybrid separate account life insurance assets.

Co-produced by Equias Alliance and Michael White Associates, LLC (MWA), the *Equias Alliance/Michael White BOLI Holdings Report™* measures and benchmarks the cash surrender values (CSV) of life insurance and ratios of CSV to capital attained by commercial banks, savings banks, and savings associations (the “banks”). The data in this report were submitted to regulators by all 6,182 banks operating on December 31, 2015. It is important to note that in the 12 month period between December 31, 2014 and December 31, 2015, the number of banks submitting data to the FDIC shrank from 6,509 to 6,182 - a decline of 327 banks. Among the study’s most significant findings are these:

By Institutional Charters:

- Of all 6,182 banks and savings associations, 3,739 or 60.5% reported holding BOLI assets in 2015, increasing their BOLI holdings by 4.4% from \$149.57 billion in 2014 to \$156.18 billion in 2015. (See Tables 1 and 4.)

**Table 1. Total BOLI Assets (in billions)
Held by Banks**

Banks by Asset Size	2015	2014	Percent Change In BOLI Assets	Percent Change in Total No. of Banks
Over \$10 billion	\$119.11 billion	\$114.92 billion	3.6%	0.0%
\$1 billion - \$10 billion	\$21.40 billion	\$18.78 billion	13.9%	3.7%
\$500 million - \$1 billion	\$6.01 billion	\$6.02 billion	-0.07%	0.0%
\$300 million - \$500 million	\$3.93 billion	\$4.14 billion	-5.0%	-4.9%
\$100 million - \$300 million	\$4.86 billion	\$4.81 billion	1.1%	-5.0%
Under \$100 million	\$872.9 million	\$898.1 million	-2.8%	-9.8%
Industry Total	\$156.18 billion	\$149.57 billion	4.4%	-5.0%

Source: *Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition*

- The growth in BOLI holdings in a particular bank charter class is attributable to a variety of factors including an increase in the value of those holdings, first-time purchases of BOLI by banks, and additional purchases by banks already having BOLI on the books. The growth rate within an individual charter may also be affected by mergers and acquisitions that take place with other financial institutions that have a different type of institutional charter. For example, banks with \$1 billion - \$10 billion in assets saw a 13.9% increase in BOLI assets primarily attributable to 21 new banks now being included in this size category due to growth as well as mergers and acquisitions.
- The 0.5% decline in BOLI assets experienced by banks with under \$500 million in assets is principally due to their merger with or acquisition by larger banks. As the table shows, there has been an especially significant decline in the number of banks with assets between \$300 million - \$500 million (-4.9%) \$100 million - \$300 million (-5.0%) and under \$100 million (-9.8%) between December 31, 2014 and December 31, 2015. (See Table 1).
- Of 992 national banks, 596 or 60.0% recorded \$96.51 billion in BOLI holdings, up 3.0% from \$93.67 billion in 2014. (See Tables 2 and 3.) This growth occurred despite a 6.9% decrease in the number of national banks between December 31, 2014 and December 31, 2015. Of the national banks' total BOLI holdings, \$49.1 billion was attributable to 27 national banks that purchased BOLI for the first time and to 106 national banks whose increases in BOLI holdings constituted \$1.18 billion due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.00% to 911.88%.
- Of 352 savings banks, 272 or 77.3% recorded \$5.55 billion in BOLI holdings, up 2.7% from \$5.40 billion in 2014. (See Tables 2 and 3.)
- Of 455 savings associations, 241 or 53.0% recorded \$4.04 billion in BOLI holdings, down 3.1% from \$4.17 billion in 2014. Although BOLI holdings decreased for savings associations, the decline was considerably less than the 9.0% decrease in the number of banks in this institutional category. (See Tables 2 and 3.)

Table 2. Total BOLI Assets (in billions) Held by Bank Charter				
Banks by Charter	2015	2014	Percent Change in BOLI Assets	Percent Change in Total No. of Banks by Charter
National Banks	\$96.51 billion	\$93.67 billion	3.0%	-5.0%
Savings Banks	\$5.55 billion	\$5.40 billion	2.7%	-4.1%
Savings Associations	\$4.04 billion	\$4.17 billion	-3.1%	-9.0%
State-Chartered Member Banks	\$24.13 billion	\$22.24 billion	8.5%	-2.2%
State-Chartered Non-Member Banks	\$25.96 billion	\$24.09 billion	7.8%	-4.7%
Industry Total	\$156.18 billion	\$149.57 billion	4.4%	-5.0%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- Of 839 state-chartered member commercial banks, 586 or 69.8% of them reported holding \$24.13 billion in BOLI assets in 2015, up 8.5% from \$22.24 billion in 2014. This increase of \$1.89 billion was largely attributable to 21 state-chartered member banks that purchased \$338.7 million of BOLI for the first time

and to 123 banks whose increase of \$1.40 billion was due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.05% to 14,395.24%. (See Tables 2 and 3.)

- Of the 3,544 state-chartered non-member banks, 2,044 or 57.7% of them reported holding \$25.96 billion in BOLI assets in 2015, up 7.8% from \$24.09 billion in 2014. This substantial 7.8% increase of \$1.87 billion was primarily due to 72 state-chartered non-member banks that purchased \$327.8 million in BOLI assets for the first time and to 390 non-member banks whose increase of \$2.22 billion was due to internal growth, additional purchases and/or mergers and acquisitions. (See Tables 2 and 3.)

Table 3. Number and Percentage of Banks Reporting BOLI Assets by Charter				
Banks by Charter	Number of Banks		Percent of Banks	
	2015	2014	2015	2014
National Banks	596	607	60.1%	57.0%
Savings Banks	272	279	77.3%	76.0%
Savings Associations	241	258	53.0%	51.6%
State-Chartered Member Banks	586	578	69.8%	67.4%
State-Chartered Non-Member Banks	2,044	2,081	57.7%	56.0%
Industry Total	3,739	3,803	60.5%	58.4%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

Table 4. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size				
Banks by Asset Size	Number of Banks		Percent of Banks	
	2015	2014	2015	2014
Over \$10 billion	78	76	72.9%	71.0%
\$1 billion - \$10 billion	491	460	82.5%	80.1%
\$500 million - \$1 billion	498	493	74.0%	73.3%
\$300 million - \$500 million	588	615	72.7%	72.3%
\$100 million - \$300 million	1,425	1,451	61.7%	59.7%
Under \$100 million	659	708	39.0%	37.8%
Industry Total	3,739	3,803	60.5%	58.4%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

By Type of BOLI Assets:

- The largest portion of BOLI assets was found to be held in separate accounts. Separate account CSV assets totaled \$71.95 billion among banks, representing 46.1% of all BOLI assets in 2015, down from 47.6% in 2014. (See Table 5.) At the same time, only 480 or 12.8% of all banks reporting BOLI held separate account assets, down from 14.2% a year ago. (See Table 6.) Thus, although SALI assets account for the largest portion of total BOLI assets, SALI assets were actually held by the fewest number of banks. Separate account life insurance assets are the cash surrender values (CSVs) associated with separate account insurance policies whose CSVs are supported by assets legally segregated from the general assets of the insurance carrier. While under such arrangements, the policyholders neither own the

underlying separate account created by the insurance carrier on its behalf, nor control investment decisions in the underlying account, however, they do assume all investment and price risk. Accordingly, the investment income and investment gains and losses generally accrue directly to the policyholders and are not accounted for in the general account of the insurer, nor are values guaranteed by the general account of the insurer.

- The type of BOLI assets most widely held by banks in 2015 was GALI policies. (See Table 6.) Nearly ninety-six percent (95.7%) or 3,577 of the 3,739 banks reporting BOLI assets had \$67.45 billion in general account life insurance assets, representing 43.2% of total BOLI assets in 2015. (See Tables 5 and 6.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.
- Nearly thirteen hundred (1,280) or 34.2% of the 3,739 institutions with BOLI assets reported holding hybrid account assets. This was up from 1,273 banks (33.5%) of 3,803 in 2014, 1,188 banks (30.9%) of 3,840 in 2013, 1,077 banks (28.5%) of 3,782 in 2012, and 868 banks (23.3%) of 3,725 in 2011. The 1,280 institutions held \$16.78 billion in hybrid account life insurance assets, representing 10.7% of total BOLI assets and making HALI the smallest reporting category of BOLI assets (See Tables 5 and 6.) Hybrid account insurance policies combine features of both general and separate account insurance products. Similar to general account life insurance policies, the general assets of the insurance company issuing hybrid account policies support the policies' cash surrender values. However, like separate account policies, the assets of hybrid accounts are protected from claims on the insurer. Additionally, the banks holding hybrid account life insurance policies are able to select from among certain investment strategies in which the insurance premiums are invested.

Table 5. Total BOLI Assets (in billions) Held by Banks in 2015				
Banks by Asset Size	GALI	SALI	HALI	TOTAL
Over \$10 billion	\$ 40.48	\$ 67.73	\$ 10.90	\$ 119.11
\$1 billion - \$10 billion	\$ 14.40	\$ 3.62	\$ 3.38	\$ 21.40
\$500 million - \$1 billion	\$ 4.63	\$ 0.33	\$ 1.05	\$ 6.01
\$300 million - \$500 million	\$ 3.20	\$ 0.09	\$ 0.64	\$ 3.93
\$100 million - \$300 million	\$ 3.98	\$ 0.13	\$ 0.75	\$ 4.86
Under \$100 million	\$ 0.76	\$ 0.04	\$ 0.07	\$ 0.87
Total BOLI assets	\$ 67.45	\$ 71.95	\$ 16.78	\$ 156.18
Percentage growth since 2014	8.0%	1.0%	5.8%	4.4%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- Separate account life insurance (SALI) assets were most heavily concentrated (94.1%) among the largest banks with assets greater than \$10 billion. These banks also held significant amounts of GALI and HALI BOLI assets. The predominant types of BOLI assets held by banks under \$10 billion in assets were GALI and HALI. Banks under \$10 billion in assets held 40.0% (up from 39.1% in 2014) of general account life insurance assets and 35.1% (up from 34.7% in 2014 and 34.5% in 2012) of hybrid account life insurance assets in 2015, with just 5.9% of SALI assets. Furthermore, banks under \$1 billion in assets held 18.6% of GALI assets, 15.0% of HALI assets, but only 0.83% of SALI assets. (See Table 5.)
- As mentioned above, the fastest growing type of BOLI assets in 2015, in terms of the number of banks holding them, was hybrid account assets. Since 2011, the number of banks using hybrid accounts increased 24.1% from 868 banks to 1,077 banks at the end of 2012; 10.3% to 1,188 banks at the end of 2013; 7.2% from that to 1,273 banks in 2014; and 0.5% from that to 1,280 in 2015. Though it has slowed, the rate of HALI growth has outstripped that of other types of asset accounts over a five year

period of time. During the same period (2011-2015), banks owning SALI assets increased by 9.2% from 543 to 593 banks in 2012 to a slight rise of 0.7% in 2013 to 597 banks to a decline of 9.5% to 540 in 2014 and a drop of 11.1% to 480 banks in 2015.

By Size of Institution:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion, as 491 of 595 banks and thrifts or 82.5% reported having them in 2015. The lowest rate of BOLI ownership occurred among depository institutions with assets under \$100 million, as 659 of 1,688 or 39.0%, declared they had BOLI assets.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$4.2 billion) in BOLI in 2015. Institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (13.9%), followed by institutions with assets over \$10 billion with the second largest percentage increase (3.6%) in BOLI assets. (See Table 1.)
- Three of six bank asset-size classes experienced increases in 2015 in the number of banks and thrifts reporting BOLI assets. The largest percentage increase was 6.7% among depository institutions with assets between \$1 billion and \$10 billion. The largest numerical increases of 31 banks and thrifts also occurred among those between \$1 billion and \$10 billion in assets. (See Table 4.)

Table 6. Number of Banks Reporting BOLI Assets in 2015				
Banks by Asset Size	GALI	SALI	HALI	TOTAL
Over \$10 billion	75	65	49	78 of 107 (73%)
\$1 billion - \$10 billion	477	156	263	491 of 595 (83%)
\$500 million - \$1 billion	476	75	224	498 of 673 (74%)
\$300 million - \$500 million	566	50	212	588 of 809 (73%)
\$100 million - \$300 million	1,357	91	438	1,425 of 2,310 (62%)
Under \$100 million	626	43	94	659 of 1,688 (39%)
All banks	3,577	480	1,280	3,739 of 6,182 (60%)
Percentage change since 2014	-0.3%	-11.1%	0.5%	-1.7%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

New Buyers of BOLI and Growth of BOLI Assets:

- Of 3,739 banks reporting BOLI assets at December 31, 2015, 3,636 banks owned BOLI assets at December 31, 2014. The difference of 103 banks represents most of the banks that were new buyers of BOLI in the last 12 months. But, of the 3,636 banks that owned BOLI a year ago, 28 of them had run their BOLI assets to zero by December 31, 2015. That means, in the last year, there were net 131 banks (103 + 28) that were new buyers of BOLI policies since 2014.
- Two hundred thirty-nine (239) of the 3,636 banks that owned BOLI a year ago experienced a decline in their BOLI assets, and 29 banks had no change in the value of their BOLI assets. Of the remaining 3,368 banks that experienced growth in their BOLI assets from a year ago, 715 of them witnessed growth of 5% or more in those assets.

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About the *Equias Alliance / Michael White BOLI Holdings Report*[™]

The *Equias Alliance / Michael White BOLI Holdings Report*[™] measures and benchmarks the cash surrender values (CSV) of life insurance held by commercial banks, savings banks, and savings associations and their ratios of CSV to capital. It is one of several reports dealing with bank fee and other noninterest income activities published by Equias Alliance / Michael White Associates, LLC (MWA).

Equias Alliance, LLC (“Equias”), through its group of nationwide consultants, has assisted over 800 community banks in the design and implementation of bank-owned life insurance as well as nonqualified benefit plans for selected executives. These plans help institutions increase earnings and shareholder value as well as recruit, retain and reward key officers and directors. If a bank should decide to implement a BOLI or nonqualified benefit plan, Equias has the experienced and professional staff (including attorneys and CPAs) needed to properly administer and oversee these plans. As evidence of its leadership position in the market, Equias has the exclusive endorsement of the ABA (through its subsidiary, the Corporation for American Banking) and 10 state banking associations for BOLI. Equias (www.equiasalliance.com) is headquartered in Memphis, Tennessee with 20 consultants located in 15 offices throughout the U.S.

Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA and published reports can be obtained at www.BankInsurance.com. Other reports include the *MWA BOLI Capital Concentration Report*[™]. This report assists with 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 Reports*[™] compare, rank and rate a particular financial institution’s insurance or other noninterest fee income program nationally, regionally, statewide and by asset-peer group.

This analysis excludes BOLI held at the holding company level. It was excluded because it represents a relatively small portion of total BOLI assets and because the holding company data is not available at the same time as the bank data and would delay the release of this report.

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