

N E W S R E L E A S E

**Equias Alliance/Michael White Report
BOLI Assets Grew 4% to \$168 Billion in 2017**

FOR IMMEDIATE RELEASE – *Memphis, TN, and Radnor, PA, April 16, 2018* – The Cash Surrender Value (CSV) of bank-owned life insurance (BOLI) policies held by commercial banks, savings banks and savings associations grew 4% to \$168.2 billion in 2017, up from \$161.8 billion in 2016, according to the *Equias Alliance/Michael White Bank-Owned Life Insurance (BOLI) Holdings Report™*.

BOLI is used to offset and recover a portion of the costs of employee benefits, thereby helping banks keep up with ever-rising benefit costs. BOLI may be differentiated by three product types: general account (GA); variable separate account (VSA); and hybrid separate account (HSA).

The *Equias Alliance/Michael White BOLI Holdings Report™* is co-produced by Equias Alliance, an NFP Company, and Michael White Associates (MWA). The information in this report was gathered from data submitted to regulators by all 5,670 banks operating on December 31, 2017. Among the study’s most significant findings are these:

By Asset Size:

- Of the 5,670 banks and savings associations, 3,600 or 63.5% reported holding BOLI assets as of December 31, 2017, and total BOLI CSV climbed by \$6.41 billion (4.0%) from \$161.80 billion as of December 31, 2016 to \$168.21 billion as of December 31, 2017. (See Tables 1 and 2.)

Table 1. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size				
Banks by Asset Size	Number of Banks		Percent of Banks	
	Dec. 31, 2017	Dec. 31, 2016	2017	2016
Over \$10 billion	96	85	78.1%	74.6%
\$1 billion - \$10 billion	510	514	81.3%	82.8%
\$500 million - \$1 billion	525	504	77.9%	76.1%
\$300 - \$500 million	593	601	75.2%	74.2%
\$100 - \$300 million	1,282	1,344	62.5%	62.1%
Under \$100 million	594	632	42.2%	41.0%
Industry Total	3,600	3,680	63.5%	62.2%

Source: *Equias Alliance / Michael White BOLI Holdings Report™* - 2018 edition

- Net growth in BOLI holdings can be attributed to new purchases and earnings on existing CSV, reduced by death claims collected and policy surrenders (if any).

- For banks with over \$100 million in assets, the percentage owning BOLI stood at 70.5% at December 31, 2017, and for banks with over \$300 million in assets, the percentage owning BOLI stood at 77.9% at December 31, 2017.
- Although the number of banks holding BOLI declined between December 31, 2016 and December 31, 2017, this decline was primarily attributable to the continuing trend in the banking industry of mergers and acquisitions rather than banks terminating their BOLI programs.

Table 2. Total BOLI Assets (in billions) Held by Banks				
Banks by Asset Size	As of Dec. 31, 2017	As of Dec. 31, 2016	Percent Change in BOLI Assets	Percent Change in Total No. of Banks
Over \$10 billion	\$129.89 billion	\$123.43 billion	5.2%	7.9%
\$1 billion - \$10 billion	\$22.43 billion	\$22.58 billion	-0.7%	1.0%
\$500 million - \$1 billion	\$6.48 billion	\$6.17 billion	5.1%	1.8%
\$300 - \$500 million	\$4.11 billion	\$4.08 billion	0.9%	-2.6%
\$100 - \$300 million	\$4.47 billion	\$4.67 billion	-4.3%	-5.3%
Under \$100 million	\$823.6 million	\$864.5 million	-4.7%	-8.7%
Industry Total	\$168.21 billion	\$161.80 billion	4.0%	-4.1%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

- Institutions with assets over \$10 billion attained the largest percentage increase (5.2%) in BOLI assets. (See Table 2.)
- Institutions with assets over \$10 billion had the largest percentage growth (12.9%) in the number of banks.
- Institutions with assets less than \$300 million saw a decline in BOLI assets as many of those institutions merged or were acquired by larger banks.

By Type of BOLI Asset:

- The BOLI assets most widely held by banks as of December 31, 2017 were in GA policies. (See Table 4.) Ninety-six percent (96.6%) or 3,478 of the 3,600 banks reporting BOLI assets had \$76.95 billion in general account life insurance assets, representing 45.7% of total BOLI assets as of December 31, 2017. (See Tables 3 and 4.) In GA policies, the general assets of the insurance company issuing the policies support their CSV.
- In recent years, banks have gravitated back to general account products because GA products provide more carrier options, somewhat higher yields and simplicity when compared to other BOLI products.
- With a balance of \$73.36 billion as of December 31, 2017, VSA BOLI for the fourth time this year was behind GA BOLI when measured by dollar amount. It represented 43.6% of all BOLI assets as of December 31, 2017, down from 44.8% as of December 31, 2016. (See Table 3.) At the same time, only 443 or 7.8% of all banks hold variable separate account assets. (See Table 4.) Now, VSA assets account

for the second largest portion of total BOLI CSVs. Variable separate account CSVs are supported by assets legally segregated from the general assets of the insurance carrier. The policyholders neither own the underlying separate account created by the insurance carrier on its behalf, nor control investment decisions in the underlying account, but 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. Most banks that purchase a VSA product use a “stable value wrap” arrangement provided by a carrier or a third party to reduce the income statement volatility. Because of its complexity, VSA is owned primarily by larger banks.

Table 3. Total BOLI Assets (in billions) by Product Type Held by Banks as of December 31, 2017

Banks by Asset Size	GA	VSA	HSA	TOTAL	Percent of BOLI Assets Held
Over \$10 billion	\$ 47.90	\$ 69.71	\$ 12.28	\$ 129.89	77.22%
\$1 billion - \$10 billion	\$ 15.95	\$ 3.22	\$ 3.26	\$ 22.43	13.33%
\$500 million - \$1 billion	\$ 5.20	\$ 0.21	\$ 1.07	\$ 6.48	3.85%
\$300 - \$500 million	\$ 3.45	\$ 0.07	\$ 0.59	\$ 4.11	2.44%
\$100 - \$300 million	\$ 3.71	\$ 0.13	\$ 0.63	\$ 4.47	2.66%
Under \$100 million	\$ 0.73	\$ 0.03	\$ 0.07	\$ 0.82	0.49%
Total BOLI Assets	\$ 76.95	\$ 73.36	\$ 17.90	\$ 168.21	100.0%
Percentage Growth Since Dec. 30, 2016	7.0%	1.2%	2.9%	4.0%	

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

Table 4. Percent of Banks Reporting BOLI Assets as of December 31, 2017 That Own:

Banks by Asset Size	GA	VSA	HSA	BOLI
Over \$10 billion	75.6%	60.2%	52.0%	78.1%
\$1 billion - \$10 billion	79.0%	24.4%	43.5%	81.3%
\$500 million - \$1 billion	76.3%	8.9%	34.7%	77.9%
\$300 - \$500 million	73.1%	4.7%	27.3%	75.2%
\$100 - \$300 million	60.1%	4.4%	18.0%	62.5%
Under \$100 million	40.3%	2.0%	6.3%	42.2%
All Banks	61.3%	7.8%	21.9%	63.5%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

- Over twelve hundred (1,242 or 21.9%) of all banks reported holding hybrid separate account assets as of December 31, 2017. That \$17.90 billion in HSA assets represented 10.6% of total BOLI assets, making HSA the smallest reporting category of BOLI assets. (See Tables 3 and 4.) Hybrid separate account

insurance policies combine features of both general and separate account insurance products. Like general account life insurance policies, the general assets of the insurance company issuing hybrid separate account policies support the policies' cash surrender values. However, like variable separate account policies, the assets of hybrid separate accounts are protected from claims on the insurer.

By Institutional Charter:

- There was an increase in the dollar amount of BOLI assets held among all charter classes except savings associations. All charter classes experienced growth in the percentage of banks reporting BOLI assets. (See Tables 5 and 6.) Savings banks and state-chartered Fed member banks had the highest percentage of banks with BOLI assets.

Table 5. Total BOLI Assets (in billions) Held by Bank Charter				
Banks by Charter	As of Dec. 31, 2017	As of Dec. 31, 2016	Percent Change in BOLI Assets	Percent Change in Total Number of Banks by Charter
National Banks	\$100.56	\$97.89	3.7%	-5.3%
Savings Banks	\$6.15	\$5.82	5.5%	-4.4%
Savings Associations	\$3.76	\$4.33	-13.4%	-8.0%
State-Chartered Member Banks	\$27.57	\$25.95	6.3%	-1.7%
State-Chartered Non-Member Banks	\$29.18	\$27.80	5.0%	-3.9%
Industry Total	\$168.21	\$161.80	4.0%	-4.1%

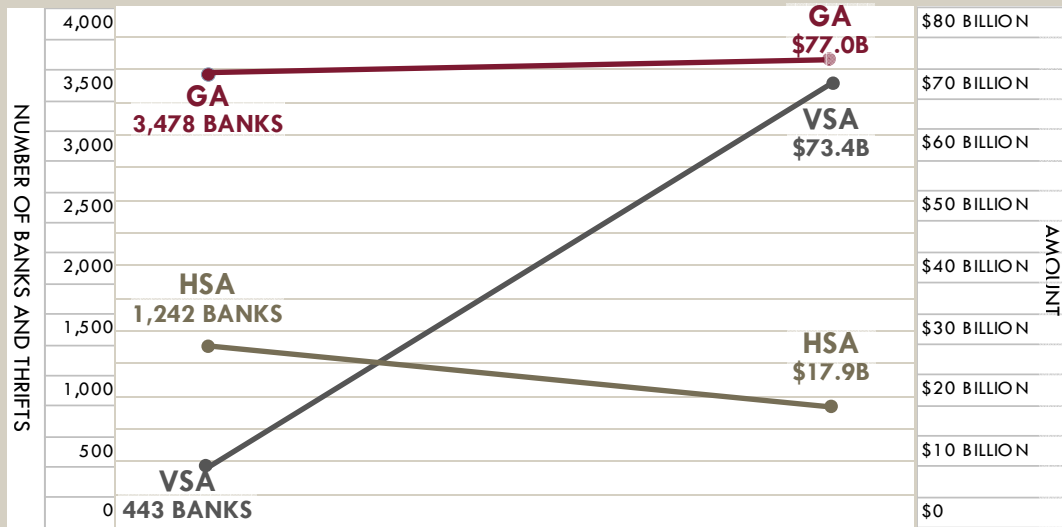
Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

- Once again, we see that the overall number of banks in each charter class has declined and that the decline is primarily due to mergers or acquisitions by larger banks.

Table 6. Number and Percentage of Banks Reporting BOLI Assets by Charter				
Banks by Charter	Number of Banks		Percent of Banks	
	Dec. 31, 2017	Dec. 31, 2016	2017	2016
National Banks	541	568	61.9%	61.5%
Savings Banks	258	263	79.6%	77.6%
Savings Associations	228	232	58.3%	54.6%
State-Chartered Member Banks	579	587	71.0%	70.8%
State-Chartered Non-Member Banks	1,994	2,030	61.1%	59.8%
Industry Total	3,600	3,680	63.5%	62.2%

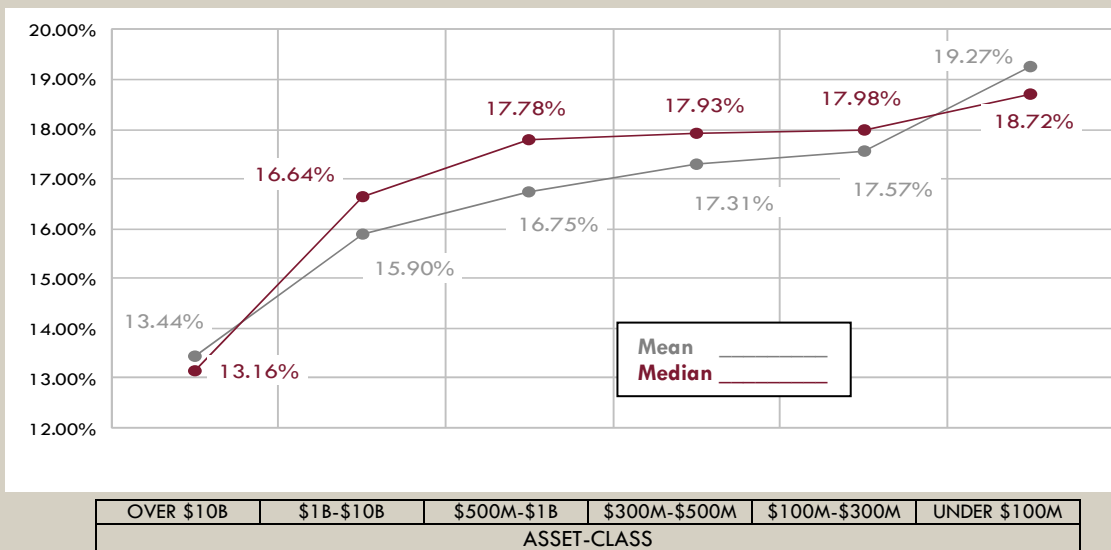
Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

Table 7. Number of Banks and Thrifts Holding GA, VSA AND HSA Assets and Dollar Amounts Held – as of December 31, 2017



SOURCE: EQUIAS ALLIANCE / MICHAEL WHITE BOLI HOLDINGS REPORT™ - 2018 EDITION

Table 8. Bank/Thrift BOLI Assets as a Percentage of Tier 1 Capital Mean Vs. Median by Asset-Class – as of December 31, 2017



SOURCE: EQUIAS ALLIANCE / MICHAEL WHITE BOLI HOLDINGS REPORT™ - 2018 EDITION

Table 9. Number and Percentage of Banks Holding BOLI Assets Reporting CSV of Life Insurance as a Percent of Tier 1 Capital Over 25%					
Banks with BOLI Over 25% of Tier 1 Capital	As of Dec. 31, 2017	As of Dec. 31, 2016	As of Dec. 31, 2015	As of Dec. 31, 2014	As of Dec. 31, 2013
Number	532 <i>of 3,600</i>	546 <i>of 3,680</i>	578 <i>of 3,739</i>	622 <i>of 3,803</i>	655 <i>of 3,840</i>
Percentage	14.8%	14.8%	15.5%	16.4%	17.1%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

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) and other data pertaining to life insurance held by commercial banks, savings banks, and savings associations. It is one of several reports dealing with bank financial performance as well as bank fee and non-interest income activities published by Equias Alliance or Michael White Associates (MWA).

Equias Alliance, LLC, an NFP Company, (“Equias”), through its group of nationwide consultants, has assisted over 800 community banks in the design and implementation of BOLI as well as nonqualified benefit plans for selected executives. As evidence of its leadership position in the market, Equias has the exclusive endorsement of the ABA and 9 state banking associations for BOLI. Equias (www.equiasalliance.com) has 19 consultants located in 14 offices throughout the U.S.

Michael White Associates (“MWA”) is a bank insurance consulting firm headquartered in Radnor, PA. In addition to the *Equias Alliance / Michael White BOLI Holdings Report™*, MWA offers a series of bank fee income reports, including the *MWA Fee Income Ratings Reports™* which compare, rank and rate a particular financial institution’s insurance or other noninterest fee income programs nationally, regionally, statewide and by asset-peer group. MWA’s published reports can be obtained at www.BankInsurance.com.

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