

N E W S R E L E A S E

**Equias Alliance/Michael White Report
BOLI Assets Surpass \$154 Billion at End of 3Q 2015**

FOR IMMEDIATE RELEASE – Radnor, PA, and Memphis, TN, December 14, 2015 – Bank-owned life insurance (BOLI) assets held by commercial banks, savings banks and savings associations surpassed \$154.5 billion at the end of third quarter 2015, reflecting a 4.5% increase from \$147.8 billion at the end of third quarter 2014, 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”)¹. The data in this report were submitted to regulators by all 6,270 banks operating on September 30, 2015. In the 12-month period between September 30, 2014 and September 30, 2015, the number of banks submitting data to the FDIC shrank from 6,589 to 6,270 - a decline of 319 banks. Among the study’s most significant findings are these:

By Institutional Charters:

- Of all 6,270 banks and savings associations, 3,759 or 60.0% reported holding BOLI assets at the end of third quarter 2015, increasing their BOLI holdings by 4.5% from \$147.80 billion as of September 30, 2014 to \$154.52 billion as of September 30, 2015. (See Tables 1 and 4.)

Table 1. Total BOLI Assets (in billions) Held by Banks				
Banks by Asset Size	3Q 2015 YTD	3Q 2014 YTD	Percent Change In BOLI Assets	Percent Change in Total No. of Banks
Over \$10 billion	\$118.33 billion	\$114.02 billion	3.8%	1.9%
\$1 billion - \$10 billion	\$20.59 billion	\$18.03 billion	14.2%	3.7%
\$500 million - \$1 billion	\$5.86 billion	\$5.96 billion	-1.7%	-1.6%
\$300 million - \$500 million	\$4.03 billion	\$4.08 billion	-1.4%	-3.4%
\$100 million - \$300 million	\$4.81 billion	\$4.78 billion	0.6%	-4.7%
Under \$100 million	\$910.0 million	\$924.5 million	-1.6%	-9.7%
Industry Total	\$154.52 billion	\$147.80 billion	4.5%	-4.8%

Source: *Equias Alliance / Michael White BOLI Holdings Report™* - 2015 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 14.2% increase in BOLI assets primarily attributable to 28 new banks now being included in this size category due to growth as well as mergers and acquisitions.
- The 0.004% 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 \$100 million - \$300 million (4.7%) and under \$100 million (9.7%) between September 30, 2014 and September 30, 2015. (See Table 1).
- Of 1,015 national banks, 600 or 59.1% recorded \$95.66 billion in BOLI holdings, up 3.1% from \$92.79 billion at the end of the third quarter of 2014. (See Tables 2 and 3.) This growth occurred despite a 7.1% decrease in the number of national banks between September 30, 2014 and September 30, 2015. Of the national banks' total BOLI holdings, \$439.6 million was attributable to a net 26 national banks that purchased BOLI for the first time and to 107 national banks whose increases in BOLI holdings constituted \$1.92 billion due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.00% to 423.01%.
- Of 356 savings banks, 273 or 76.7% recorded \$5.49 billion in BOLI holdings, up 4.8% from \$5.24 billion at the end of third quarter 2014. (See Tables 2 and 3.)
- Of 467 savings associations, 245 or 52.5% recorded \$4.00 billion in BOLI holdings, down 4.8% from \$4.20 billion at the end of third quarter of 2014. Although BOLI holdings decreased for savings associations, the decline was considerably less than the 9.1% 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	3Q 2015 YTD	3Q 2014 YTD	Percent Change in BOLI Assets	Percent Change in Total No. of Banks by Charter
National Banks	\$95.66 billion	\$92.79 billion	3.1%	-7.1%
Savings Banks	\$5.49 billion	\$5.24 billion	4.8%	-3.8%
Savings Associations	\$4.00 billion	\$4.20 billion	-4.8%	-9.1%
State-Chartered Member Banks	\$23.64 billion	\$21.98 billion	7.5%	-1.6%
State-Chartered Non-Member Banks	\$25.74 billion	\$23.60 billion	9.1%	-4.4%
Industry Total	\$154.52 billion	\$147.80 billion	4.5%	-4.8%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2015 edition

- Of 844 state-chartered member commercial banks, 586 or 69.4% of them reported holding \$23.64 billion in BOLI assets at the end of the third quarter of 2015, up 7.5% from \$21.98 billion at the end of the third quarter of 2014. This large 7.5% increase of \$1.66 billion was largely attributable to 19 state-chartered member banks that purchased \$234.8 million of BOLI for the first time and to 119 banks whose increase

of \$1.37 billion was due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.03% to 15,030.00%. (See Tables 2 and 3.)

- Of the 3,588 state-chartered non-member banks, 2,055 or 57.3% of them reported holding \$25.74 billion in BOLI assets at the end of third quarter 2015, up 9.1% from \$23.60 billion at the end of third quarter 2014. This substantial 9.1% increase of \$2.14 billion was primarily due to 75 state-chartered non-member banks that purchased \$272.1 million of BOLI for the first time and to 409 banks whose increase of \$2.18 billion was due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5% to 2106.78%. (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	
	3Q 2015 YTD	3Q 2014 YTD	3Q 2015 YTD	3Q 2014 YTD
National Banks	600	620	59.1%	56.8%
Savings Banks	273	277	76.7%	74.9%
Savings Associations	245	263	52.5%	51.2%
State-Chartered Member Banks	586	575	69.4%	67.0%
State-Chartered Non-Member Banks	2,055	2,082	57.3%	55.4%
Industry Total	3,759	3,817	60.0%	57.9%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2015 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	
	3Q 2015 YTD	3Q 2014 YTD	3Q 2015 YTD	3Q 2014 YTD
Over \$10 billion	82	76	74.6%	70.4%
\$1 billion - \$10 billion	487	459	81.7%	79.8%
\$500 million - \$1 billion	489	495	73.5%	73.2%
\$300 million - \$500 million	593	606	72.6%	71.6%
\$100 million - \$300 million	1,423	1,453	61.1%	59.5%
Under \$100 million	685	728	39.1%	37.5%
Industry Total	3,759	3,817	60.0%	57.9%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2015 edition

By Type of BOLI Assets:

- The largest portion of BOLI assets continues to be held in separate accounts. Separate account CSV assets totaled \$71.73 billion among banks, representing 46.4% of all BOLI assets as of September 30, 2015, down from 48.0% as of September 30, 2014. (See Table 5.) At the same time, only 492 or 13.1% of all banks reporting BOLI held separate account assets, down from 14.8% 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 at the end of third quarter 2015 was GALI policies. (See Table 6.) Ninety-six percent (95.6%) or 3,593 of the 3,759 banks reporting BOLI assets had \$66.32 billion in general account life insurance assets, representing 42.9% of total BOLI assets in three quarters of 2015, up from 41.5% a year ago. (See Tables 5 and 6.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.
- Nearly thirteen hundred (1,286) or 34.2% of the 3,759 institutions with BOLI assets reported holding hybrid account assets as of September 30, 2015. This was up from 1,262 banks (33.1%) of 3,817 at the end of the third quarter of 2014; 1,168 banks (30.6%) of 3,817 as of September 30, 2013; 1,040 banks (29.7%) of 3,499 at the end of the third quarter of 2012; and 812 banks (25.4%) of 3,195 as of September 30, 2011. The 1,286 institutions held \$16.47 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.) However, in the past few years, HALI has been the fastest growing type of BOLI asset, although its rate of growth has been slowing. 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 Three Quarters of 2015				
Banks by Asset Size	GALI	SALI	HALI	TOTAL
Over \$10 billion	\$ 40.07	\$ 67.54	\$ 10.72	\$ 118.33
\$1 billion - \$10 billion	\$ 13.79	\$ 3.56	\$ 3.23	\$ 20.59
\$500 million - \$1 billion	\$ 4.46	\$ 0.35	\$ 1.04	\$ 5.86
\$300 million - \$500 million	\$ 3.28	\$ 0.11	\$ 0.64	\$ 4.03
\$100 million - \$300 million	\$ 3.93	\$ 0.12	\$ 0.75	\$ 4.81
Under \$100 million	\$ 0.78	\$ 0.04	\$ 0.08	\$ 0.91
Total BOLI assets	\$ 66.32	\$ 71.73	\$ 16.47	\$ 154.52
Percentage growth since 2014	8.0%	1.2%	6.3%	4.5%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2015 edition

- Separate account life insurance (SALI) assets were most heavily concentrated (94.2%) 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 39.6% (up from 38.6% at the end of the third quarter of 2014) of general account life insurance assets and 34.9% (up one-tenth of a percent from 34.8% at the end of the third quarter of 2014 and 4.6 points from 30.3% at the end of the third quarter of 2012) of hybrid account life insurance assets in 2015, with just 5.8% of SALI assets. Furthermore, banks under \$1 billion in assets held 18.8% of GALI assets, 15.3% of HALI assets, but only 0.009% of SALI assets. (See Table 5.)

- As mentioned above, the fastest growing type of BOLI assets as of September 30, 2015, in terms of the number of banks holding them, was hybrid account assets. Since September 30, 2011, the number of banks using hybrid accounts increased 28.1% from 812 banks to 1,040 banks in 2012, another 12.3% to 1,168 banks at the end of the third quarter of 2013, and another 8.0% from that to 1,262 banks at the end of the third quarter of 2014. Though it has declined in 2015 to 1.9% growth, the rate of HALI growth has outstripped that of other types of asset accounts. During the same period (2011-2015), banks owning SALI assets increased by 10.3% from 543 to 599 banks as of September 30, 2012 to a decline of 1.8% in 2013 to 588 banks, a further drop of 4.1% to 564 on September 30, 2014, and a decrease of 12.8% as of September 30, 2015 to 492 banks holding SALI assets.

By Size of Institution:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion, as 487 of 596 banks and thrifts or 81.7% reported having them as of September 30, 2015. The lowest rate of BOLI ownership occurred among depository institutions with assets under \$100 million, as 685 of 1,752, or 39.1%, declared they had BOLI assets.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$4.3 billion) in BOLI at the end of the third quarter of 2015. Institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (14.2%), followed by institutions with assets over \$10 billion with the second largest percentage increase (3.8%) in BOLI assets. (See Table 1.)
- Two of six bank asset-size classes experienced increases as of September 30, 2015 in the number of banks and thrifts reporting BOLI assets. The largest percentage increase was 7.9% among depository institutions with assets over \$10 billion. The largest numerical increases of 28 banks and thrifts occurred among those between \$1 billion and \$10 billion in assets. (See Table 4.)

Table 6. Number of Banks Reporting BOLI Assets in Three Quarters of 2015				
Banks by Asset Size	GALI	SALI	HALI	TOTAL
Over \$10 billion	79	65	48	82 of 110 (75%)
\$1 billion - \$10 billion	472	154	259	487 of 596 (82%)
\$500 million - \$1 billion	469	79	223	489 of 665 (74%)
\$300 million - \$500 million	571	51	218	593 of 817 (73%)
\$100 million - \$300 million	1,352	96	436	1,423 of 2,330 (61%)
Under \$100 million	650	47	102	685 of 1,752 (39%)
All banks	3,593	492	1,286	3,759 of 6,270 (60%)
Percentage increase since 2014	0.0%	-12.8%	1.9%	-1.5%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2015 edition

New Buyers of BOLI and Growth of BOLI Assets:

- Of 3,759 banks reporting BOLI assets at September 30, 2015, 3,657 banks owned BOLI assets at September 30, 2014. The difference of 102 banks represents most of the banks that were new buyers of BOLI in the last 12 months. But, of the 3,657 banks that owned BOLI a year ago, 31 of them had run their BOLI assets to zero by September 30, 2015. That means, in the last year, there were net 133 banks (102 + 31) that were new buyers of BOLI policies since third quarter 2014.
- Two hundred thirty-two (232) of the 3,657 banks that owned BOLI a year ago experienced a decline in their BOLI assets; and 27 banks had no change in the value of their BOLI assets. Of the remaining 3,398

banks that experienced growth in their BOLI assets from a year ago, 731 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 11 state banking associations for BOLI. Equias (www.equiasalliance.com) is headquartered in Memphis, Tennessee with 18 consultants located in 14 offices throughout the U.S.

Michael White Associates, LLC (“MWA”) is a bank insurance consulting firm headquartered in Radnor, PA, and its 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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