



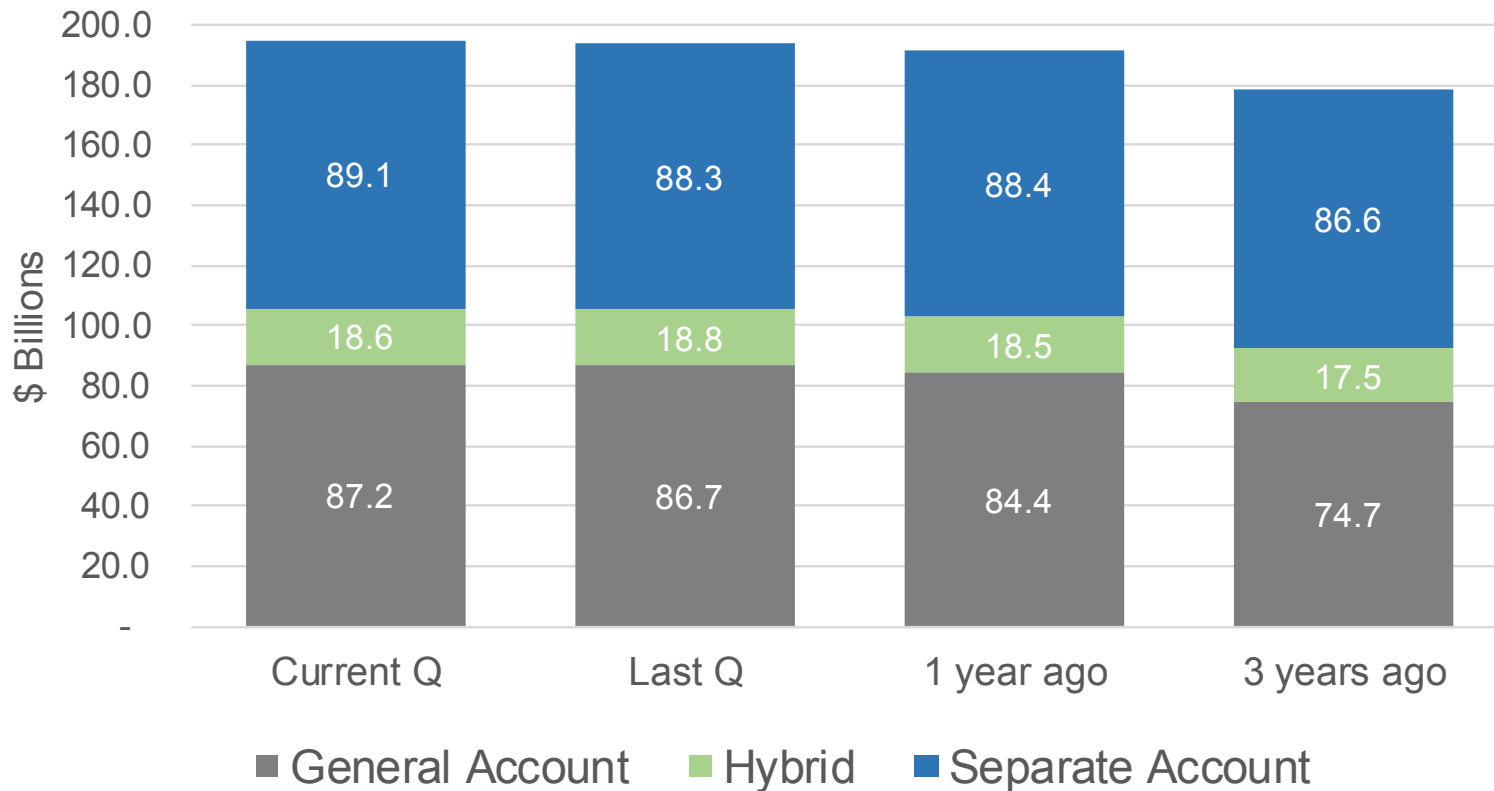
# BOLI INDUSTRY ANALYTICS & ALLOCATIONS

**Proprietary and Confidential – For Discussion Purposes Only**

2019-Q1

# BANK CALL REPORT BOLI BREAKDOWN

Banks reported \$194.9 billion of BOLI in 2019-Q1, of which \$89.1 billion was SA.



# STUDY PURPOSE AND BACKGROUND

Our study attempts to track how SA BOLI is allocated over time.

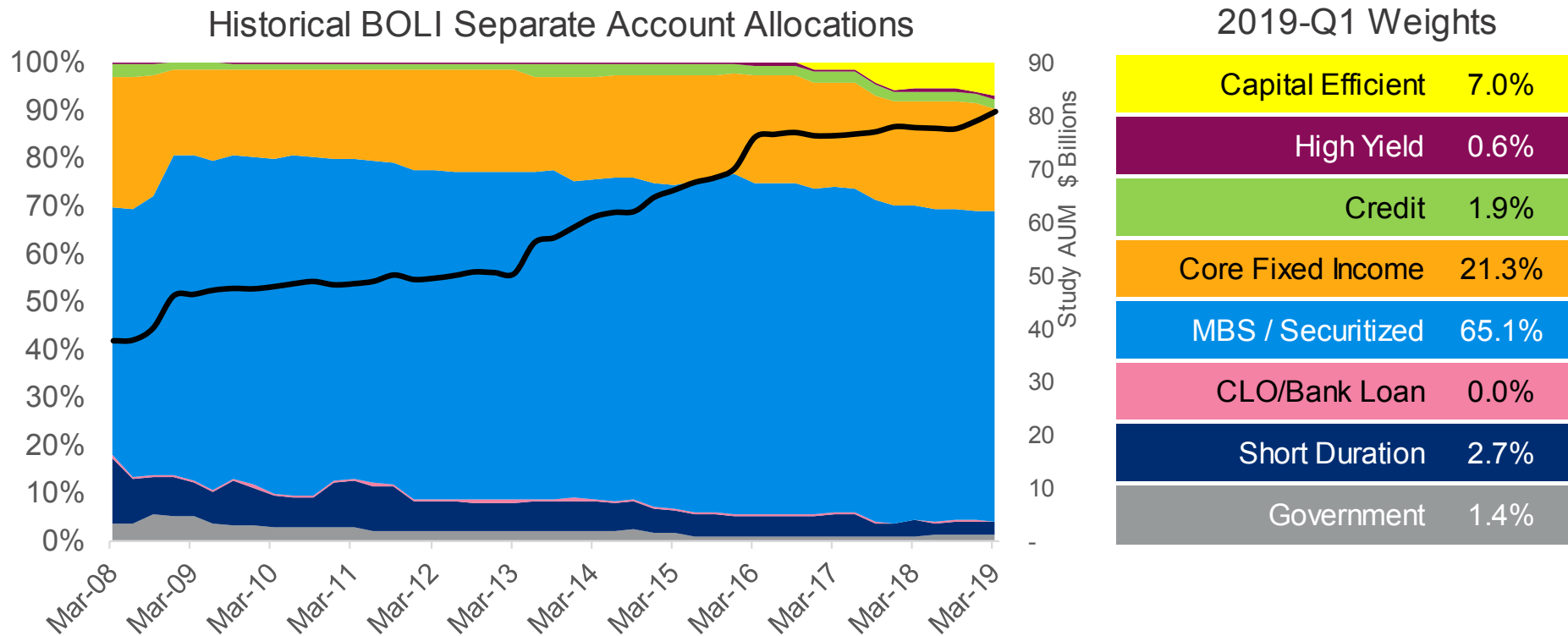
- Gathered SA BOLI AUM data is categorized into portfolio types
  - Capital Efficient / Target RW
  - High Yield
  - Credit
  - Core Fixed Income
  - MBS / Securitized (ABS / CMBS)
  - CLO / Bank Loan
  - Short Duration
  - Government
- Portfolio types represent full portfolio MVs and do not look through to the holdings sector weights

Currently comprises \$80.9 billion – approximately 91% of the industry.<sup>1</sup>

# HISTORICAL BOLI/COLI SEPARATE ACCOUNT ALLOCATIONS

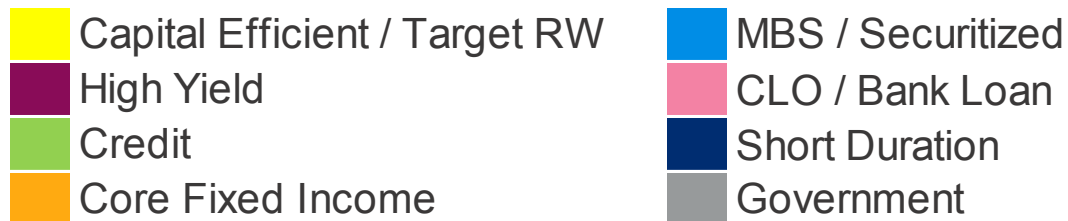
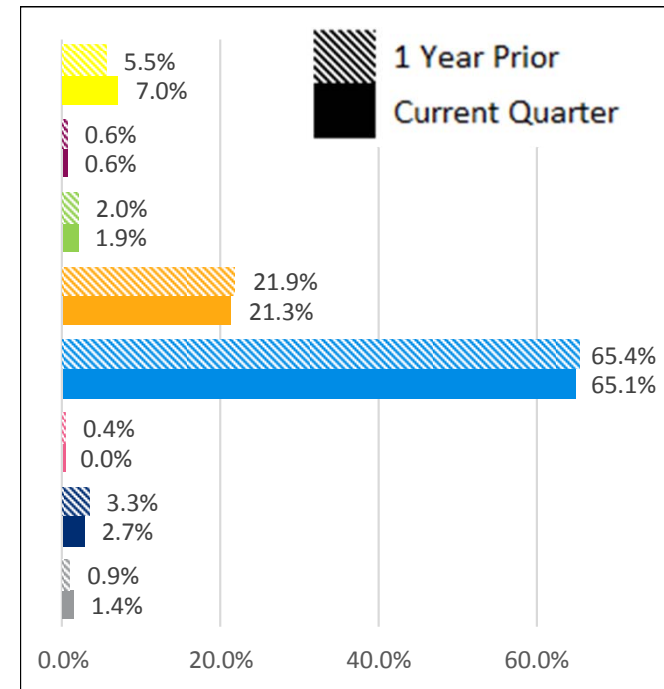
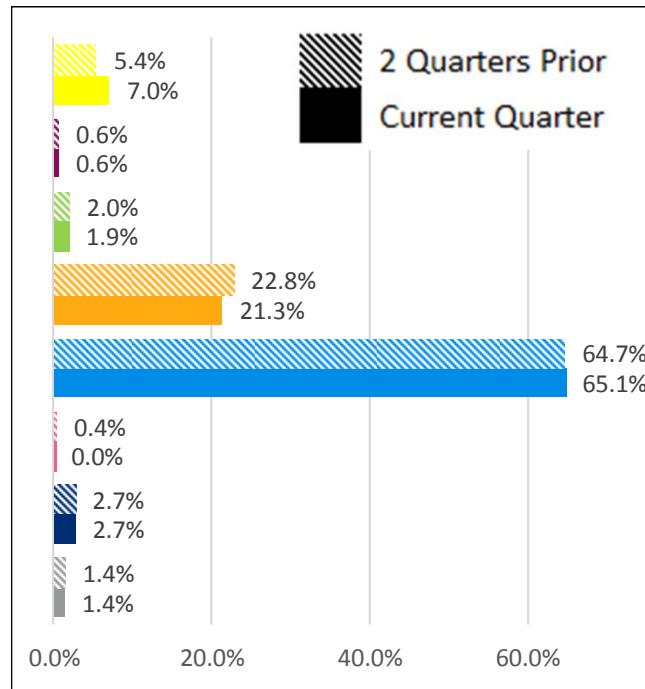
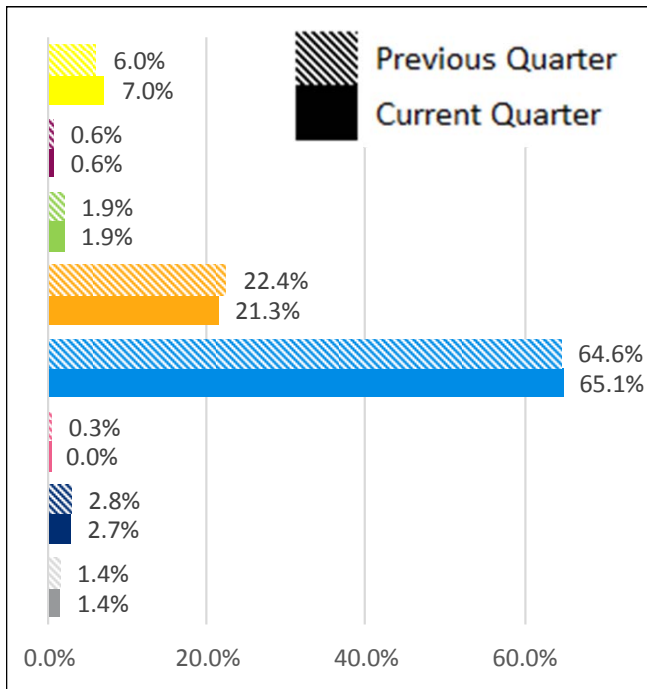
For the last decade, allocations have been dominated by MBS / Securitized portfolios.

- The chart below shows the study's total AUM (black line), and portfolio type breakdown (colored areas) over time.



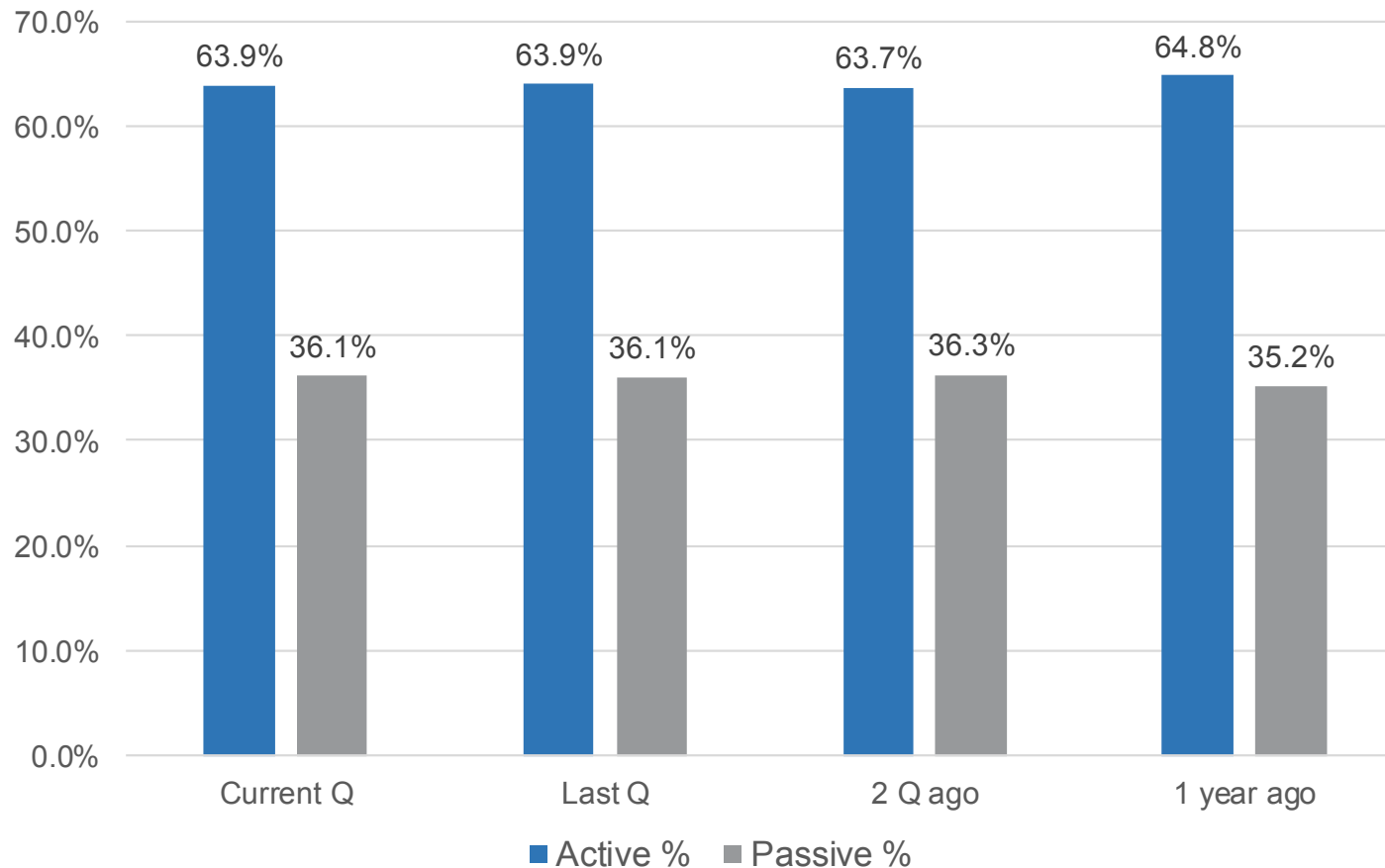
# SEPARATE ACCOUNT ALLOCATION CHANGES

While some changes can be attributed to asset growth, periodic comparisons can show potential reallocations.<sup>2</sup>



# BREAKDOWN OF PORTFOLIOS (ACTIVE VS PASSIVE)

Of the \$80.9 billion in the study, 63.9% of the allocations are actively managed.



# ALLOCATION COMMON BENCHMARK PERFORMANCE

Using common benchmarks for the categories, a proxy for the industry's SA Q1 MV performance is estimated at 2.38%.

	Benchmark	Quarter	1-Year	3-Year	Weights
Capital Efficient	[Proxied By Blend of Below]	2.51%	3.37%	2.58%	7.04%
High Yield	<i>Barclays High Yield</i>	6.91%	6.22%	7.20%	0.59%
Credit	<i>Barclays US Credit</i>	4.88%	4.89%	3.48%	1.89%
Core Fixed Income	<i>Barclays US Agg</i>	2.94%	4.48%	2.03%	21.33%
MBS / Securitized	<i>Barclays US MBS</i>	2.17%	4.42%	1.77%	65.05%
CLO/Bank Loan	<i>CSFB Leverage Loan Index</i>	2.49%	1.75%	3.74%	0.01%
Short Duration	<i>ML 90-Day LIBOR</i>	0.71%	2.47%	1.47%	2.71%
Government	<i>BofA / ML 1-3Y Treasury</i>	0.98%	2.70%	0.98%	1.38%
Industry Proxy Performance using above weights:		<b>2.38%</b>	<b>4.30%</b>	<b>1.93%</b>	

# CALL REPORT BOLI ANALYTICS

The overall effective RW for SA BOLI was ~40%; however, many banks default to 100%.

- Using the Q1 category weights and proxy portfolios, **MBSA estimates a ~25.8%** effective risk-weight for SA BOLI in our AUM Study using the Basel III Standardized Approach

## All Banks

	# of Banks	GA BOLI (\$B)	Hybrid BOLI (\$B)	SA BOLI (\$B)	SA Exposure (\$B)	SA RWA (\$B)	Total RWA / Total Exposure	Average Bank RW%
<b>Current Q</b>	<b>3,447</b>	<b>87.2</b>	<b>18.6</b>	<b>89.1</b>	<b>101.4</b>	<b>40.2</b>	<b>39.7%</b>	<b>91.2%</b>
Last Q	3,476	86.7	18.8	88.3	100.5	40.1	39.9%	91.4%
2 Q ago	3,513	85.9	18.7	88.5	100.6	40.5	40.3%	90.7%
1 year ago	3,575	84.4	18.5	88.4	100.3	40.4	40.3%	91.6%

Bank RW% median and mode were 100% for all periods

## \$25B+ Banks

	# of Banks	GA BOLI (\$B)	Hybrid BOLI (\$B)	SA BOLI (\$B)	SA Exposure (\$B)	SA RWA (\$B)	Total RWA / Total Exposure	Average Bank RW%
<b>Current Q</b>	<b>77</b>	<b>51.3</b>	<b>11.7</b>	<b>84.3</b>	<b>90.6</b>	<b>31.9</b>	<b>35.2%</b>	<b>55.8%</b>
Last Q	78	51.0	11.8	83.6	89.7	31.7	35.4%	56.3%
2 Q ago	75	49.8	11.7	83.7	89.6	31.9	35.6%	55.4%
1 year ago	73	48.9	11.5	83.1	89.0	31.9	35.8%	73.7%

For larger banks, the mode Bank RW% is still 100%, but median drops to ~35%



## FOOTNOTES / DISCLAIMERS

1. The % of industry covered in the study may represent more or less due to various factors;
  - Some of the data included in the study may include portfolios that are comingled with corporations or non-banking entities
  - Some of the missing assets may include equity portfolios, which are excluded from this study
2. “Reallocations” assumed by significant changes in categorical weights without a parallel change in total assets. May or may not reflect any actual reallocation activity.

\*Call Report Data may include BHC data from Y-9C Reports

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