



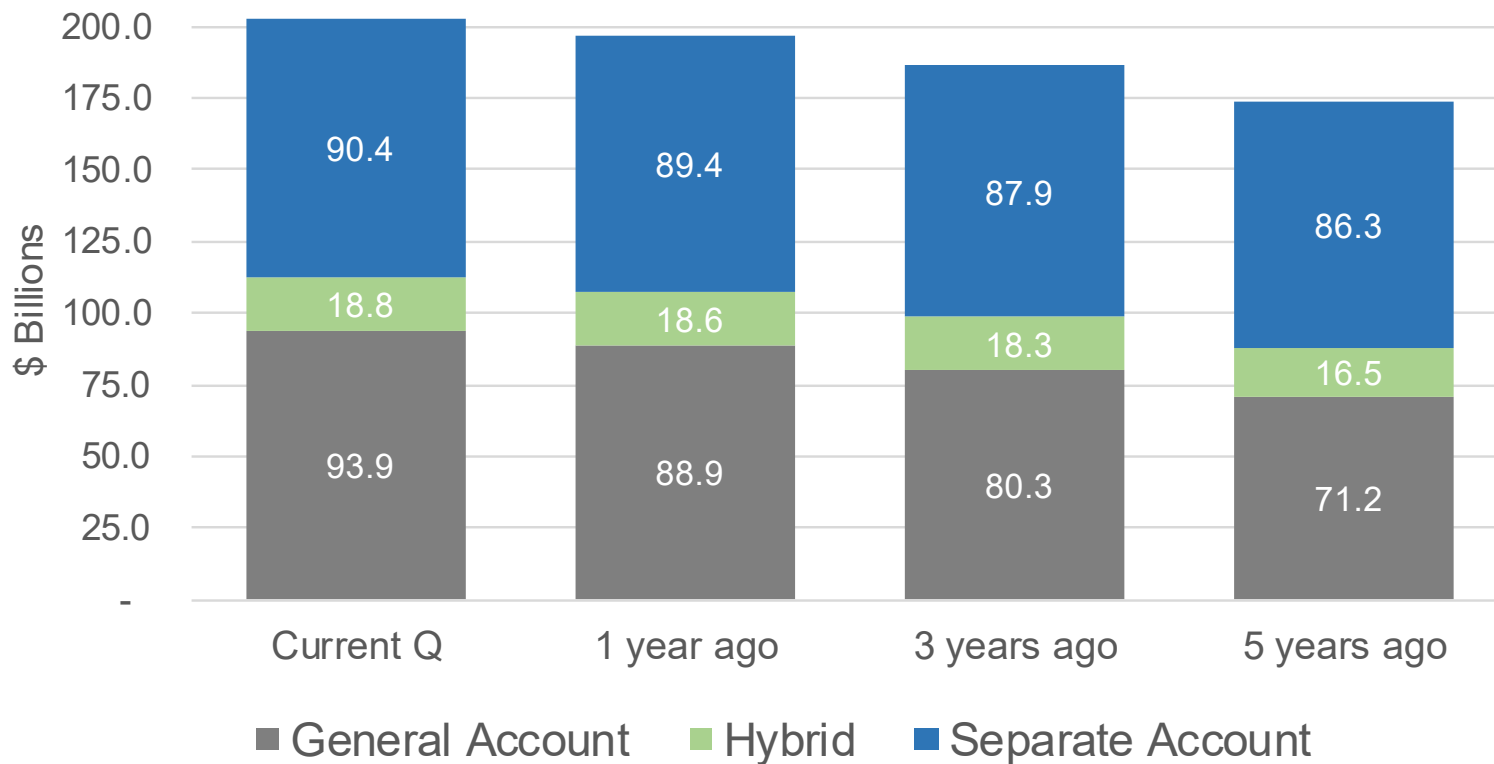
BOLI INDUSTRY ANALYTICS & ALLOCATIONS

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2020-Q2

BANK CALL REPORT BOLI BREAKDOWN

Banks reported \$203.2 billion of BOLI in 2020-Q2, of which \$90.4 billion was SA.



STUDY PURPOSE AND BACKGROUND

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

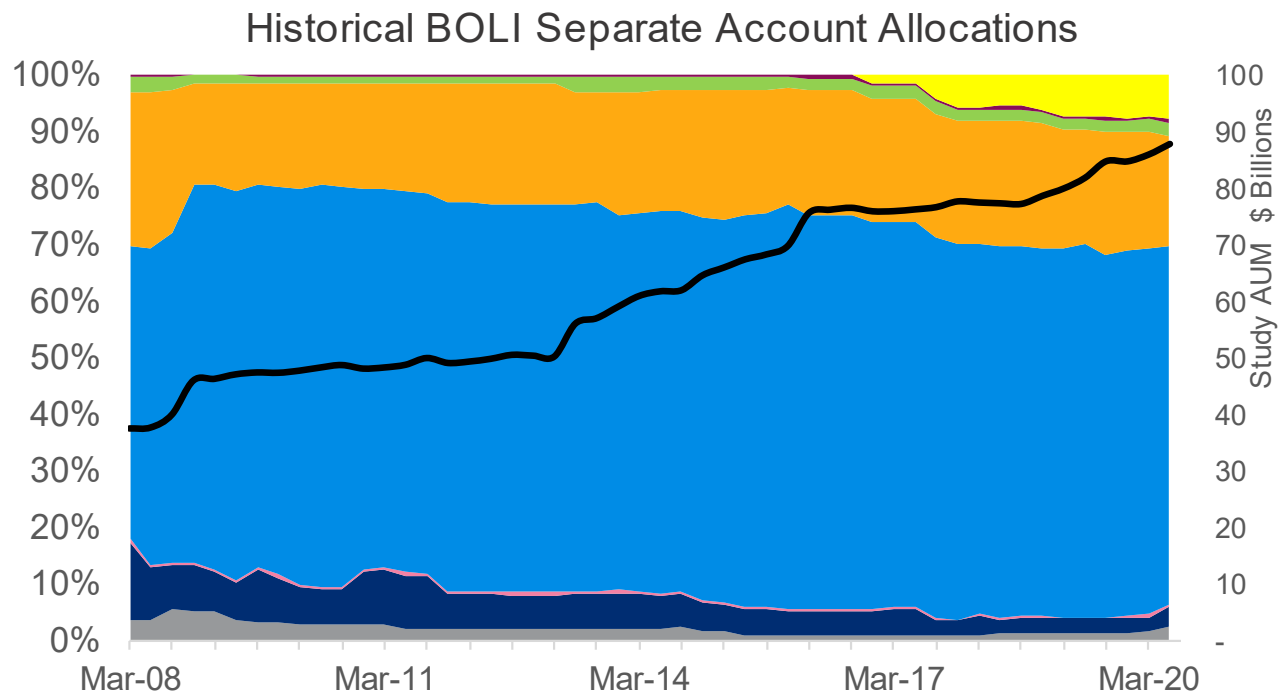
- Gathered SA BOLI AUM data is categorized into portfolio types
 - Capital Efficient / Multi-Sector / Target RW
 - High Yield
 - Credit
 - Core Fixed Income
 - MBS / Securitized (ABS / CMBS)
 - CLO / Bank Loan
 - Short Duration
 - Government
- Portfolio types represent full portfolio MVs and do not look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

Currently comprises \$88 billion – a massive share of the industry.¹

HISTORICAL BOLI/COLI SEPARATE ACCOUNT ALLOCATIONS

For the last decade, allocations have been dominated by MBS / Securitized portfolios. More recently, capital efficient / multi-sector type portfolios are gaining traction.

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

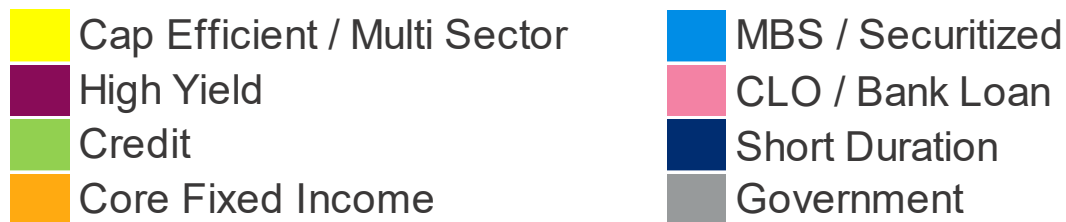
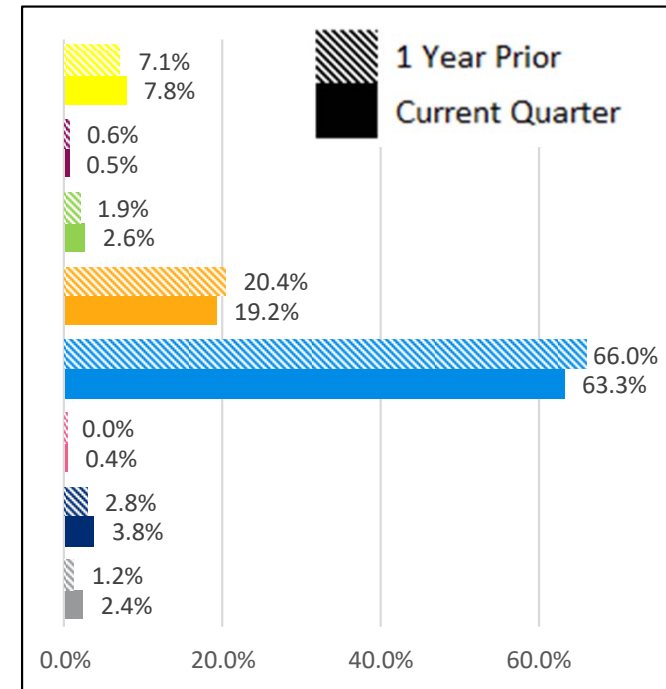
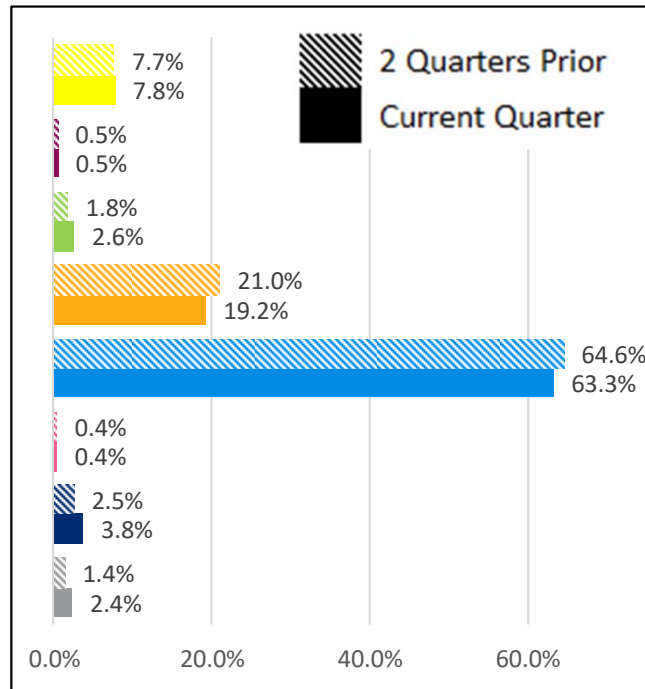
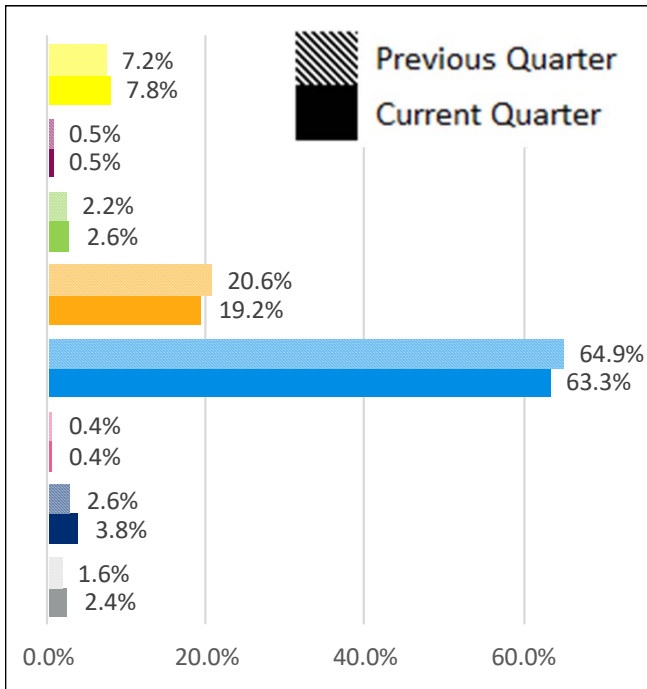


2020-Q2 Weights

Cap Efficient / Multi Sector	7.8%
High Yield	0.5%
Credit	2.6%
Core Fixed Income	19.2%
MBS / Securitized	63.3%
CLO / Bank Loan	0.4%
Short Duration	3.8%
Government	2.4%

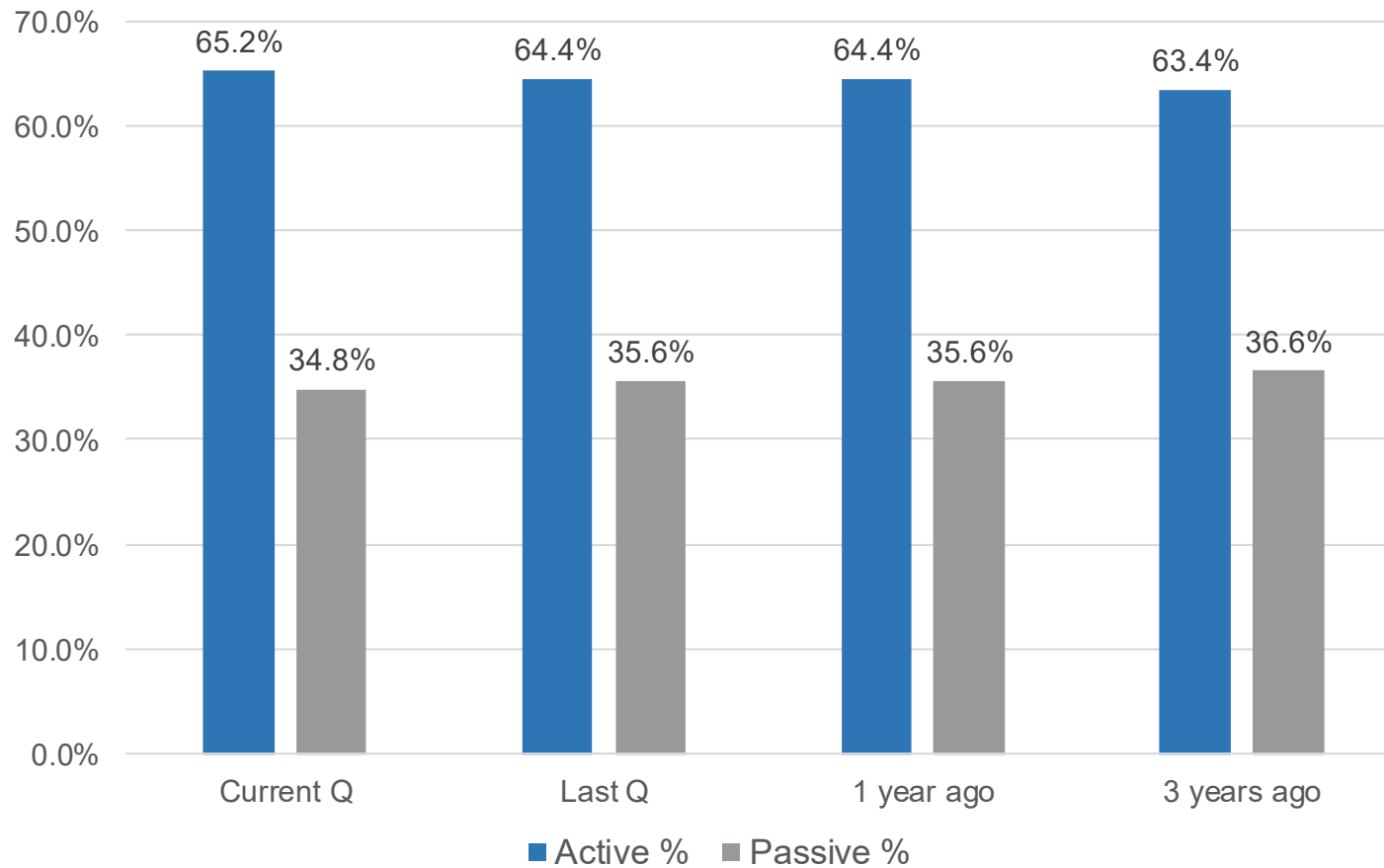
SEPARATE ACCOUNT ALLOCATION CHANGES

While some changes can be attributed to asset growth, periodic comparisons can indicate potential reallocations.²



BREAKDOWN OF PORTFOLIOS (ACTIVE VS PASSIVE)

Of the \$88 billion in the study, 65% of the allocations are actively managed.



ALLOCATION COMMON BENCHMARK PERFORMANCE

Using common benchmarks for the categories, a proxy for the industry's SA Q2 MV performance is estimated at 1.68%.

	Benchmark	Quarter	1-Year	3-Year	Weights
Cap Efficient / Multi Sector	[Proxied By Blend of Below]	2.85%	5.65%	4.12%	7.77%
High Yield	<i>Barclays High Yield</i>	9.84%	2.25%	4.13%	0.51%
Credit	<i>Barclays US Credit</i>	8.23%	9.10%	6.15%	2.62%
Core Fixed Income	<i>Barclays US Agg</i>	2.90%	8.74%	5.32%	19.24%
MBS / Securitized	<i>Barclays US Securitized</i>	0.94%	5.74%	4.04%	63.33%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	3.93%	1.37%	2.57%	0.41%
Short Duration	<i>ML 90-Day LIBOR</i>	0.44%	2.11%	2.07%	3.77%
Government	<i>BofA / ML 1-3Y Treasury</i>	0.13%	4.06%	2.67%	2.35%
Industry Proxy Performance using above weights:		1.68%	6.18%	4.24%	

CALL REPORT BOLI ANALYTICS

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

- Using the Q2 category weights and proxy portfolios, **MBSA estimates a ~29%** effective risk-weight for SA BOLI in our 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%
Current Q	3,295	93.9	18.8	90.4	101.7	40.3	39.6%	90.1%
Last Q	3,321	92.7	18.8	90.0	97.9	36.2	36.9%	84.3%
1 year ago	3,413	88.9	18.6	89.4	101.9	40.2	39.4%	90.7%
3 years ago	3,647	80.3	18.3	87.9	100.2	40.3	40.3%	90.4%

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%
Current Q	85	57.3	12.6	86.3	93.5	33.9	36.2%	57.0%
Last Q	83	55.6	12.3	85.7	92.2	32.2	34.9%	54.4%
1 year ago	77	52.8	11.9	84.7	91.3	32.0	35.0%	55.9%
3 years ago	69	46.4	11.2	81.5	87.7	31.6	36.1%	77.0%

For larger banks, the mode Bank RW% is still 100%, but median drops to ~43%

FOOTNOTES / DISCLAIMERS

1. Regarding industry coverage;
 - 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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