



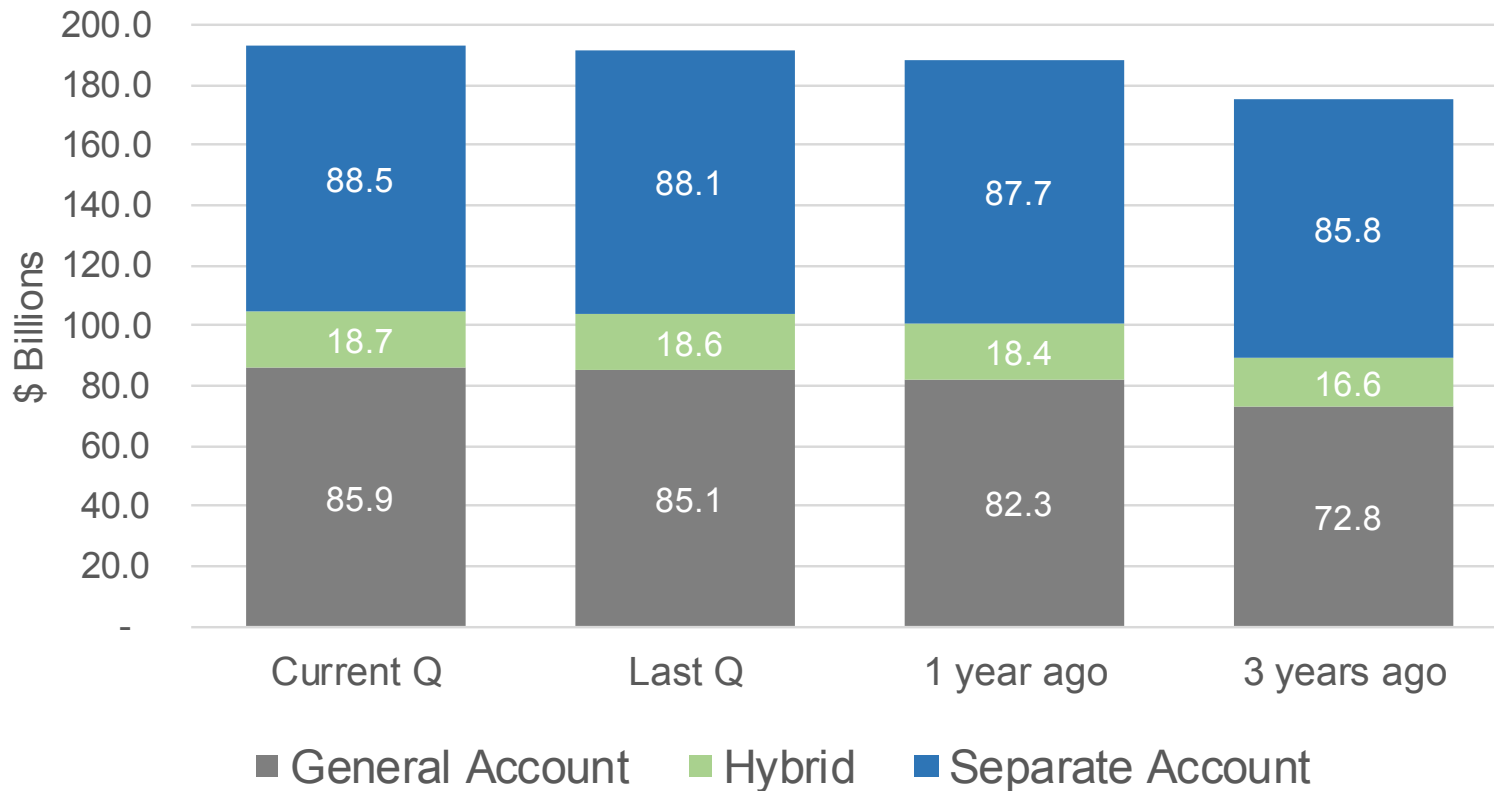
# BOLI INDUSTRY ANALYTICS & ALLOCATIONS

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

2018-Q3

# BANK CALL REPORT BOLI BREAKDOWN

Banks reported \$193.1 billion of BOLI in 2018-Q3, of which \$88.5 billion was SA.



# STUDY PURPOSE AND BACKGROUND

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

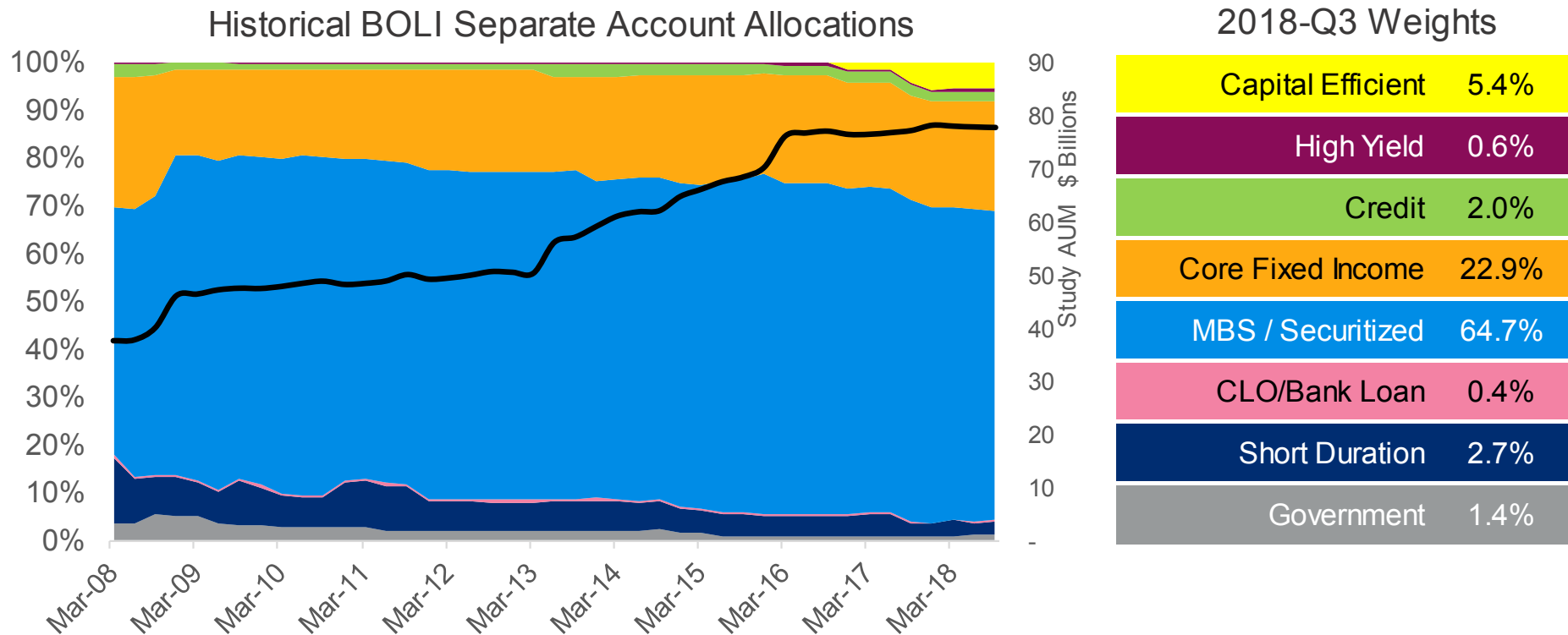
- Gathered SA BOLI AUM data is categorized into portfolio types
  - Capital Efficient / Target RW
  - High Yield
  - Credit
  - Core Fixed Income
  - MBS / Securitized (ABS / CMBS)
  - CLO / Bank Loan
  - Short Duration
  - Government
- Portfolio types represent full portfolio MVs and do not look through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

Currently comprises \$77.7 billion – approximately 88% of the industry.<sup>1</sup>

# HISTORICAL BOLI/COLI SEPARATE ACCOUNT ALLOCATIONS

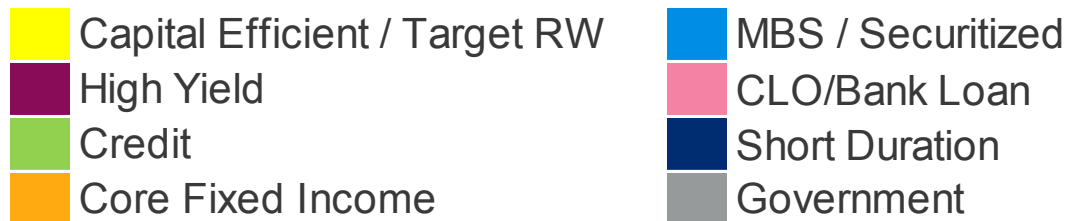
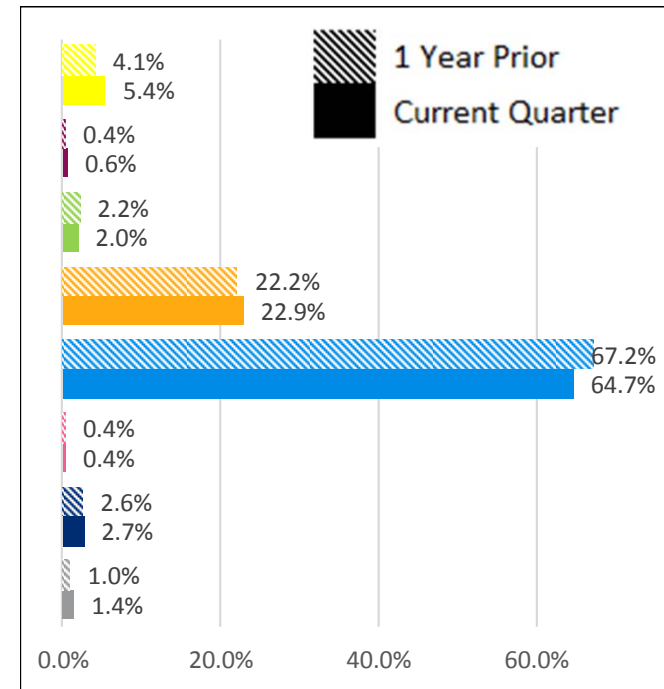
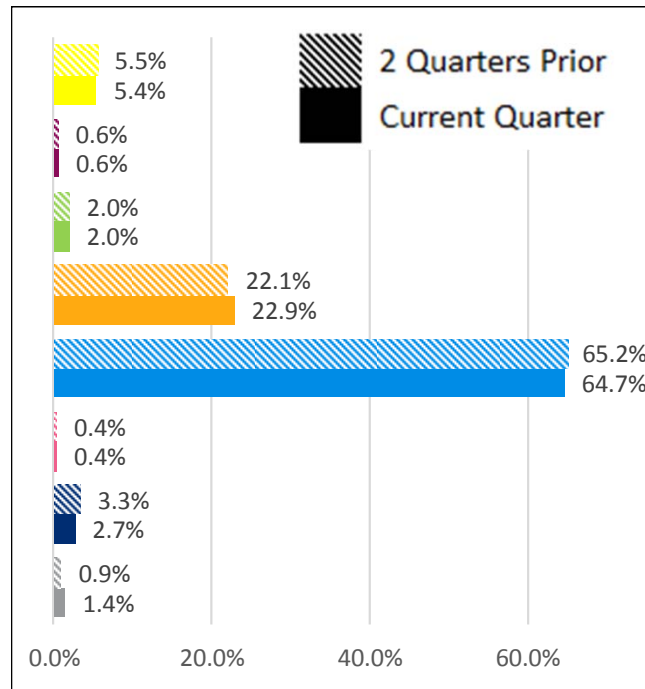
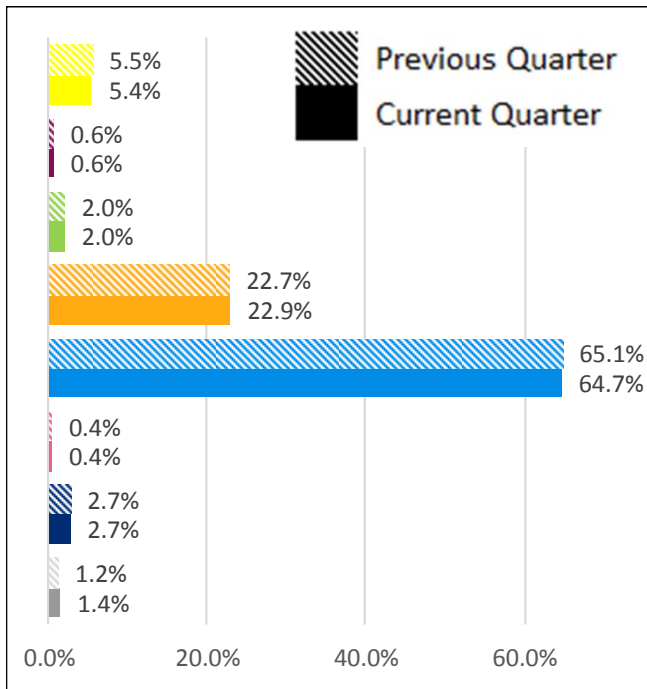
For the last decade, allocations have been dominated by MBS / Securitized portfolios.

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



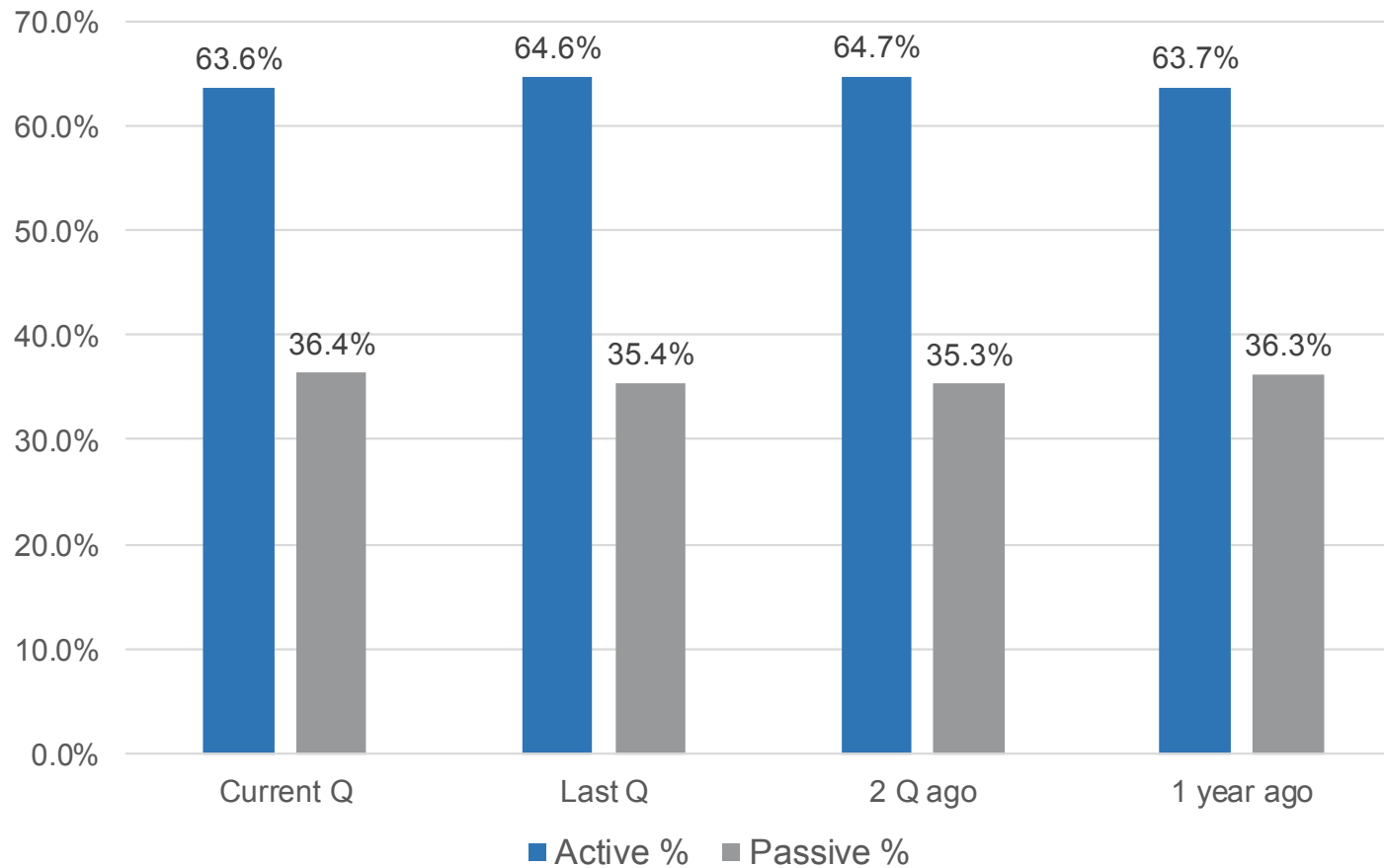
# SEPARATE ACCOUNT ALLOCATION CHANGES

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 \$77.7 billion in the study, 63.6% of the allocations are actively managed.



# ALLOCATION COMMON BENCHMARK PERFORMANCE

Using common benchmarks for the categories, a proxy for the industry's SA Q3 MV performance is estimated at 0.02%.

	Benchmark	Quarter	1-Year	3-Year	Weights	Quarter	1-Year	3-Year
Capital Efficient	[Proxied By Blend of Below]	0.74%	1.39%	2.71%	5.43%	<b>0.02%</b>	<b>-0.74%</b>	<b>1.23%</b>
High Yield	<i>Barclays High Yield</i>	2.18%	2.07%	6.78%	0.60%			
Credit	<i>Barclays US Credit</i>	0.89%	-1.10%	2.98%	1.95%			
Core Fixed Income	<i>Barclays US Agg</i>	0.02%	-1.22%	1.31%	22.85%			
MBS / Securitized	<i>Barclays US MBS</i>	-0.12%	-0.92%	0.98%	64.67%			
CLO/Bank Loan	<i>CSFB Leverage Loan Index</i>	1.93%	5.54%	5.42%	0.36%			
Short Duration	<i>ML 90-Day LIBOR</i>	0.57%	1.78%	1.10%	2.69%			
Government	<i>BofA / ML 1-3Y Treasury</i>	0.18%	0.01%	0.37%	1.44%			

# CALL REPORT BOLI ANALYTICS

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

- Using the Q3 category weights and proxy portfolios, **MBSA estimates a ~25.9%** 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>3,513</b>	<b>85.9</b>	<b>18.7</b>	<b>88.5</b>	<b>100.6</b>	<b>40.5</b>	<b>40.3%</b>	<b>90.7%</b>
Last Q	3,545	85.1	18.6	88.1	100.2	40.3	40.2%	91.4%
2 Q ago	3,575	84.4	18.5	88.4	100.3	40.4	40.3%	91.6%
1 year ago	3,641	82.3	18.4	87.7	99.8	39.9	40.0%	90.0%

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>75</b>	<b>49.8</b>	<b>11.7</b>	<b>83.7</b>	<b>89.6</b>	<b>31.9</b>	<b>35.6%</b>	<b>55.4%</b>
Last Q	73	49.3	11.6	83.3	89.3	31.8	35.6%	70.7%
2 Q ago	73	48.9	11.5	83.1	89.0	31.9	35.8%	73.7%
1 year ago	69	47.5	11.2	81.4	87.5	31.2	35.7%	76.5%

For larger banks, the mode Bank RW% is still 100%, but median drops to 33%



## 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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