

FIFTH THIRD  
CAPITAL MARKETS

**An Analysis of the Top 10 US Bank Balance Sheets  
As of 3<sup>rd</sup> Quarter 2016**

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November 22, 2016

**John N. Dunlevy, CFA®**

Managing Director | F.I. Strategy

513.534.6926

John.Dunlevy@53.com

# Portfolio Restructuring Overview

- The top 10 US Banks increased their securities holdings by \$56Bn during the past quarter (page 6). In addition, 4 of the 10 largest US banks have decreased the size of their loan portfolio relative to their securities portfolios over the past year (page 17).
- Within large bank securities holdings, the largest share of the portfolio increase has come from RMBS (\$36.78Bn) and US Treasury (\$26.77Bn) while the Equity sector has had the largest decline (page 10)

## Among the largest US Banks

- WFC had the greatest nominal increase in their securities portfolio, \$32.8Bn or 9.2%
  - \$38.23Bn increase in RMBS (\$38 Billion increase in FNMA/FHLMC MBS)
  - \$4.78Bn decrease in Equity exposure
- JP Morgan had the greatest nominal decrease in their securities portfolio, \$5.96Bn or 2.2%
  - \$5.25Bn decrease in RMBS
  - \$6.75Bn increase in US Treasury's

# Top 10 US Bank Used in This Report

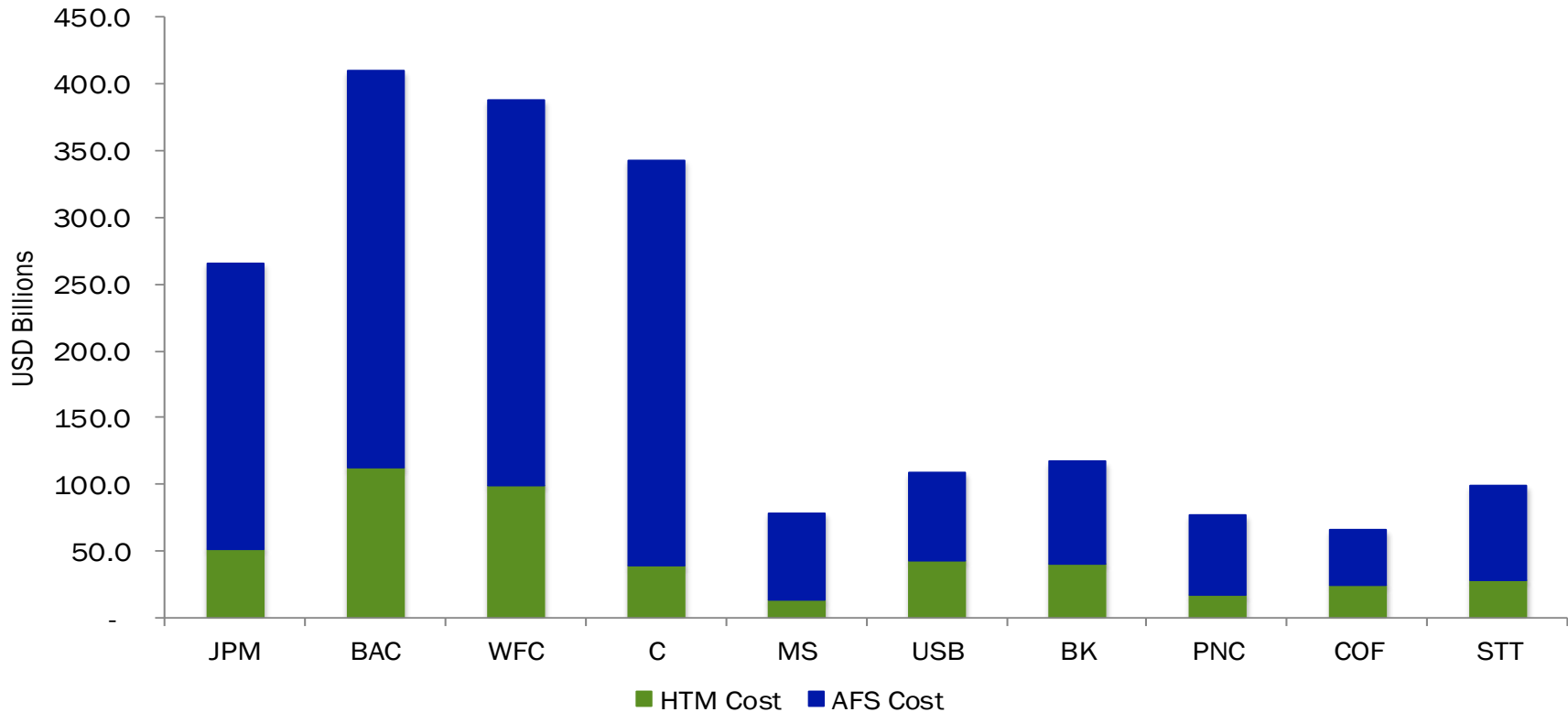
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- |     |     |   |                                     |
|-----|-----|---|-------------------------------------|
| 1)  | JPM | - | JPMorgan Chase & Co.                |
| 2)  | BAC | - | Bank of America Corporation         |
| 3)  | WFC | - | Wells Fargo & Company               |
| 4)  | C   | - | Citigroup Inc.                      |
| 5)  | MS  | - | Morgan Stanley                      |
| 6)  | USB | - | U.S. Bancorp                        |
| 7)  | BK  | - | Bank of New York Mellon Corporation |
| 8)  | PNC | - | PNC Financial Services Group, Inc.  |
| 9)  | COF | - | Capital One Financial Corporation   |
| 10) | STT | - | State Street Corporation            |

# Securities Portfolio Overview

# Top 10 US Banks by Total Assets

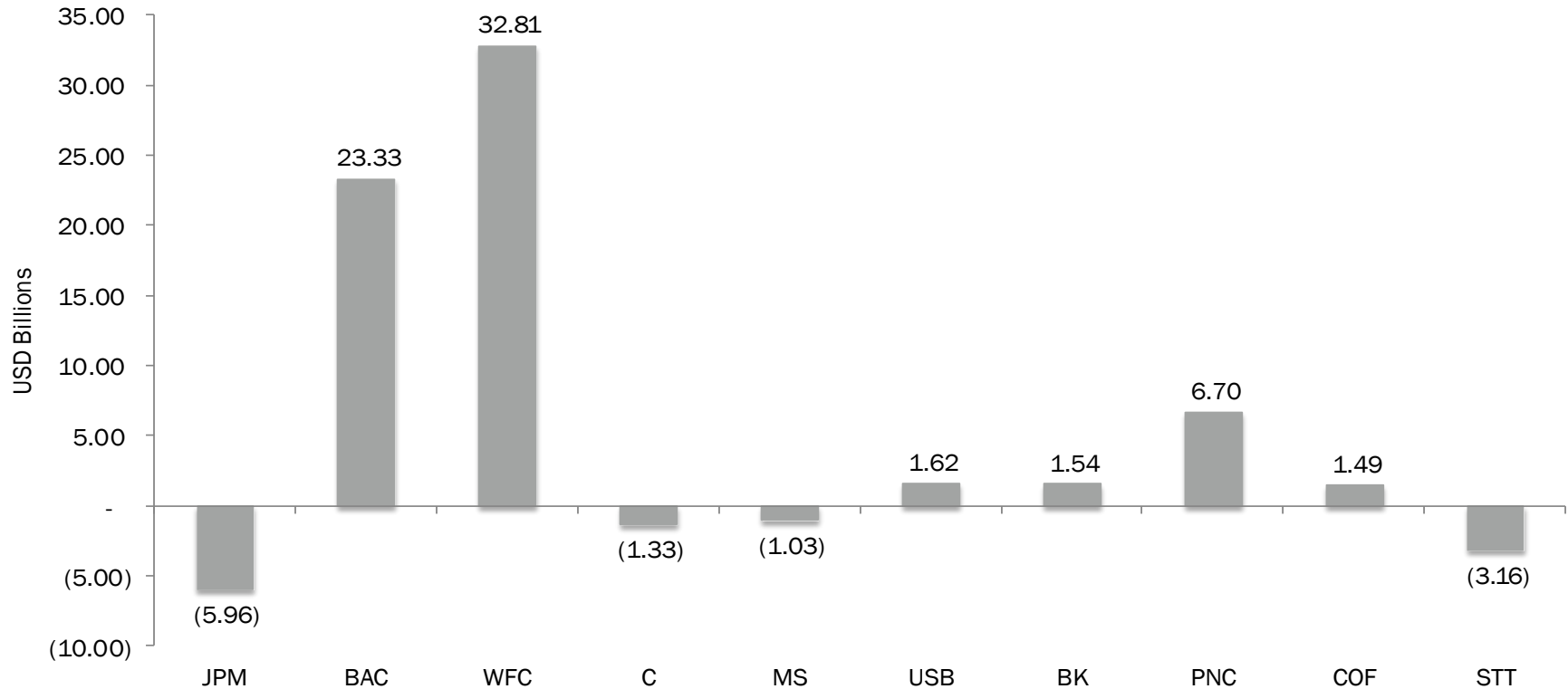
## Securities Portfolio - 2016Q3



We took the top ten US banks (ranked by total asset size) and broke down their portfolio holdings into their AFS (available-for-sale) and HTM (Held-to-Maturity) components. As you can see, despite concerns about changing regulations forcing mark-to-market impact of AFS bonds, HTM remains a small percentage of overall large bank portfolio holdings

# Securities Portfolio Changes: Total Portfolio

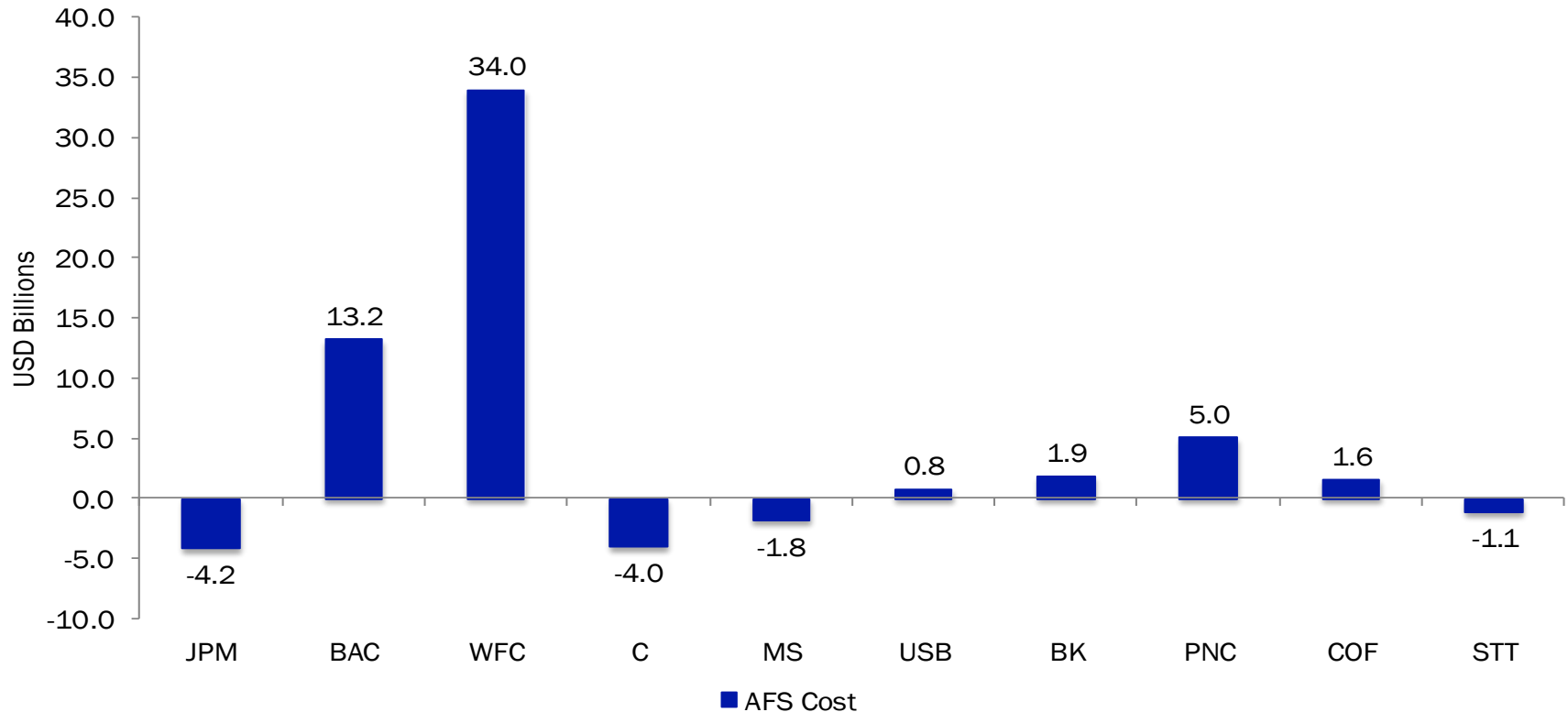
## \$56.0Bn Change in Securities Portfolio from : 2016Q2 to 2016Q3



During 3Q16, ~\$56 billion was added from large bank portfolio compared to 2Q16 when ~\$23.3 billion was added. WFC led the pack by adding ~\$32.8 billion while JPM decreased their portfolio holdings by ~\$6 billion.

# Securities Portfolio Changes: Available-for-Sale

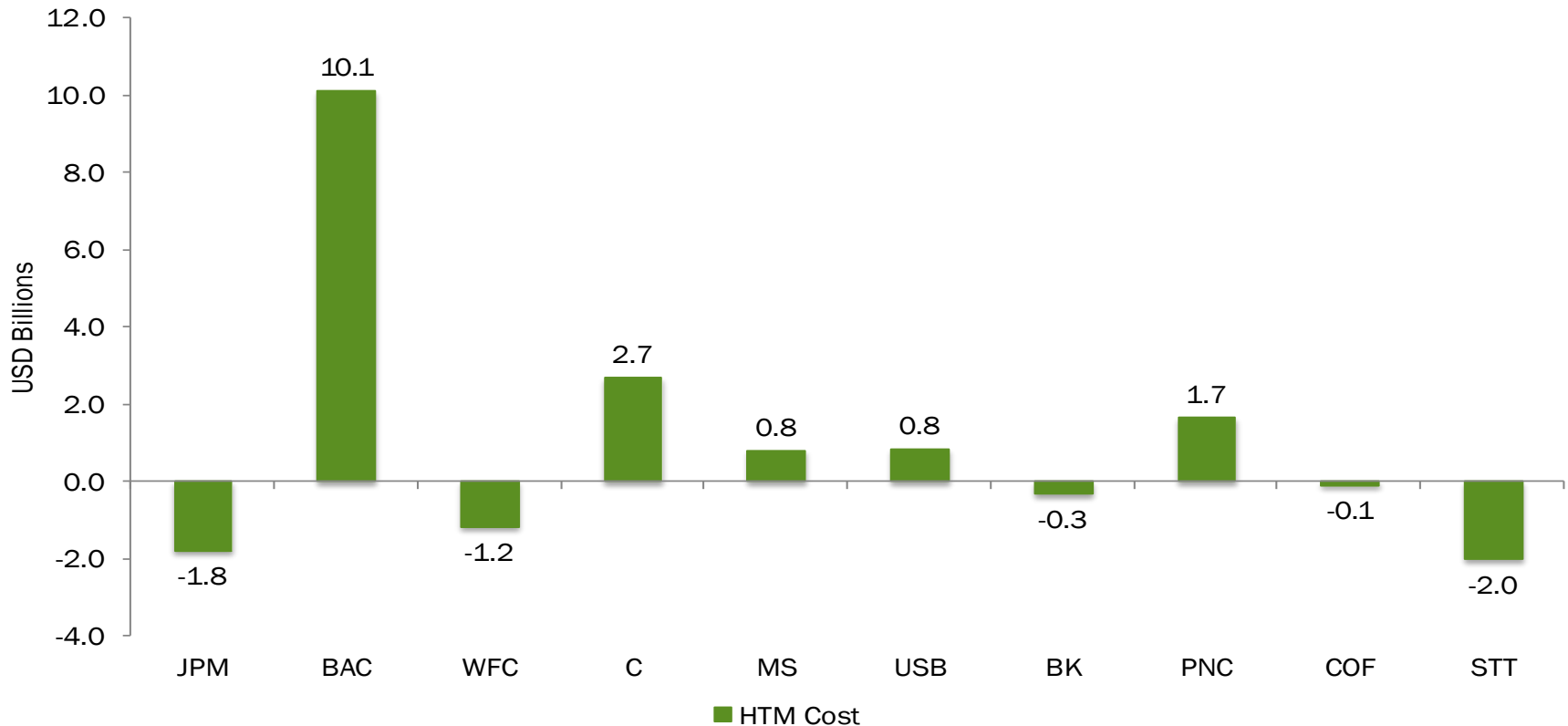
## \$44.7Bn AFS Change from 2016Q2 to 2016Q3



During 3Q16, ~\$44.7 billion was added from large bank AFS portfolios compared to 2Q16 where ~\$8.2 billion was removed. WFC was leading the field by adding ~\$34 billion while JPM decreased their securities portfolio size by ~\$4.2 billion.

# Securities Portfolio Changes: Held-to-Maturity

## \$10.7Bn HTM Change from 2016Q2 to 2016Q3



Last quarter, Bank of America, Citigroup, and PNC made large reallocations toward their HTM securities portfolio.



# Change in Large Bank Sector Allocations

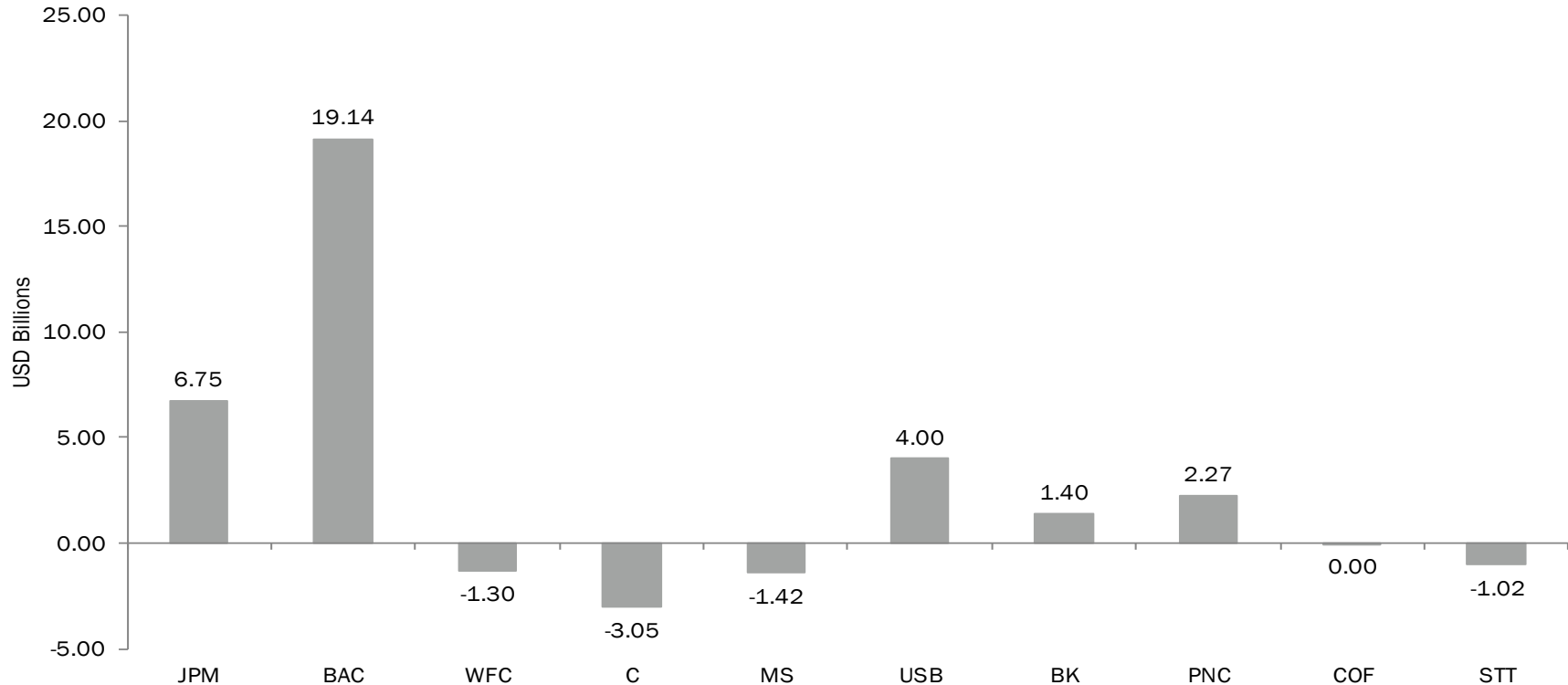
## 2<sup>nd</sup> Quarter 2016 Top 10 Bank Portfolio Sector Change

Bank	AFS & HTM Securities Portfolio	\$ Δ in Securities (\$ BN)	% Δ in Securities	UST	Agency Debt	RMBS	CMBS	Munis	ABS	Other Debt (Corp)	Structured Notes	Equity
JPM	266.3	-5.96	-2.2%	6.75	0.00	-5.25	-2.47	-0.30	-0.75	-3.39	-0.69	0.14
BAC	409.9	23.33	6.0%	19.14	0.01	2.35	1.33	0.29	-0.75	3.33	0.07	-2.44
WFC	388.2	32.81	9.2%	-1.30	-0.08	38.23	-1.89	2.85	-0.07	-0.81	0.65	-4.78
C	343.2	-1.34	-0.4%	-3.05	-0.14	-1.94	-0.27	-0.11	-0.28	2.60	1.95	-0.10
MS	78.8	-1.03	-1.3%	-1.42	0.36	0.57	-0.15	0.00	-0.28	-0.12	0.01	0.00
USB	109.1	1.62	1.5%	4.00	-0.09	-2.22	0.00	0.01	-0.01	-0.05	0.00	-0.02
BK	117.1	1.54	1.3%	1.40	-0.08	-0.82	0.98	-0.16	-0.26	0.39	0.04	0.07
PNC	77.2	6.70	9.5%	2.27	0.00	3.55	0.09	-0.03	0.37	0.24	0.17	0.04
COF	65.8	1.49	2.3%	0.00	0.00	1.35	0.01	0.00	-0.01	0.09	0.00	0.05
STT	99.5	-3.16	-3.1%	-1.02	-4.02	0.96	0.37	0.21	-0.10	0.97	-0.50	-0.03
Net Change	1,955.2	56.01	2.9%	26.77	-4.05	36.78	-2.00	2.76	-2.14	3.26	1.70	-7.07

Overall large bank securities increased by 2.9% or by nearly \$56 billion. The largest inflow was into the RMBS sector of ~\$36.7 billion (inflow in 2Q 16, was \$19.07 billion) and the biggest outflow was from Equity Securities of ~\$7 billion.

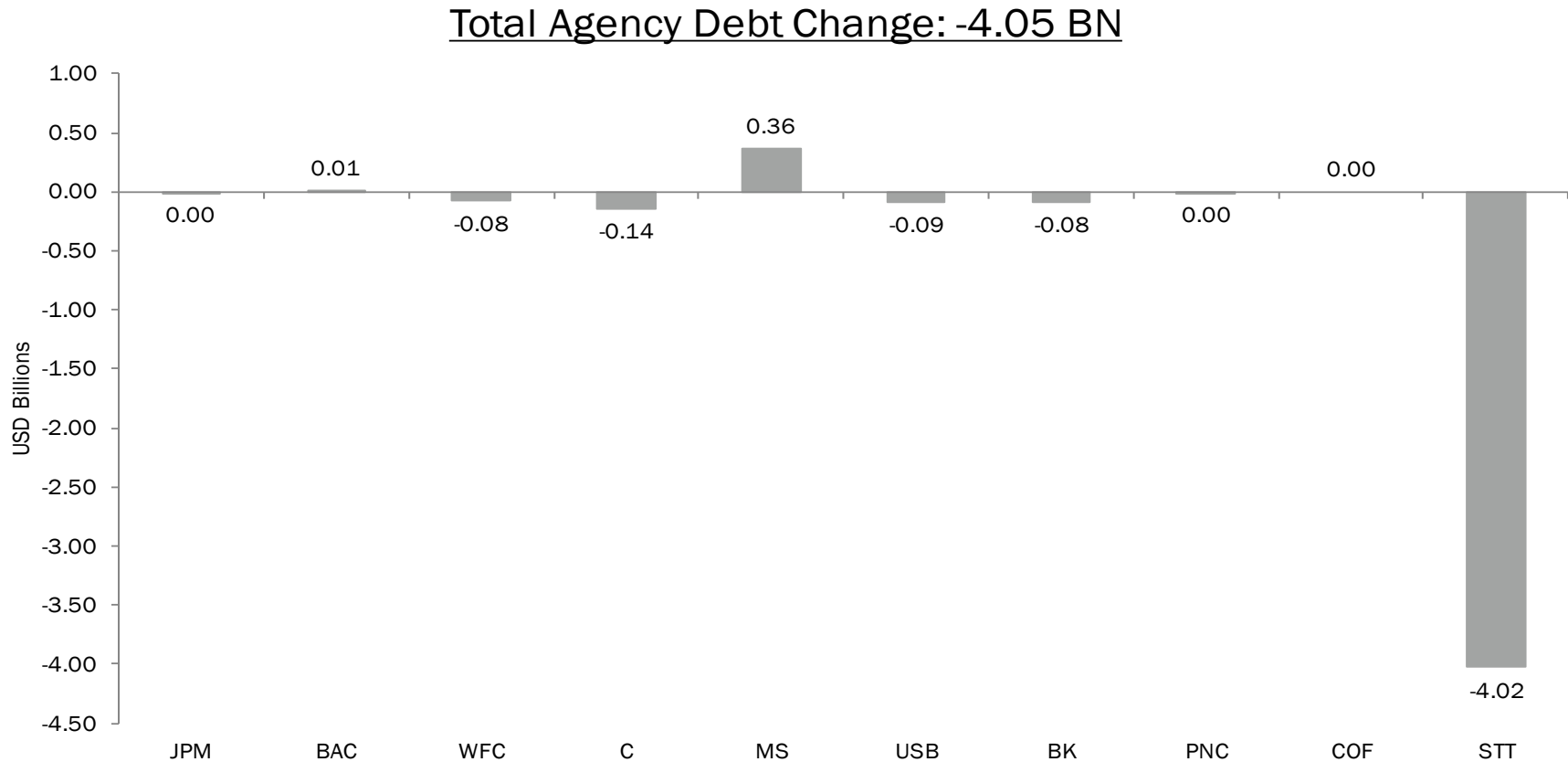
# Change in Securities: US Treasuries

Total UST Change: +26.77 BN



Overall, the trend in 3Q 16 was to increase US Treasury holdings by ~\$26.7 billion compared to an \$8.3 billion increase in 2Q 16. 5 out of the 10 largest banks increased their US Treasury holdings and most increased their holdings by more than \$4 billion.

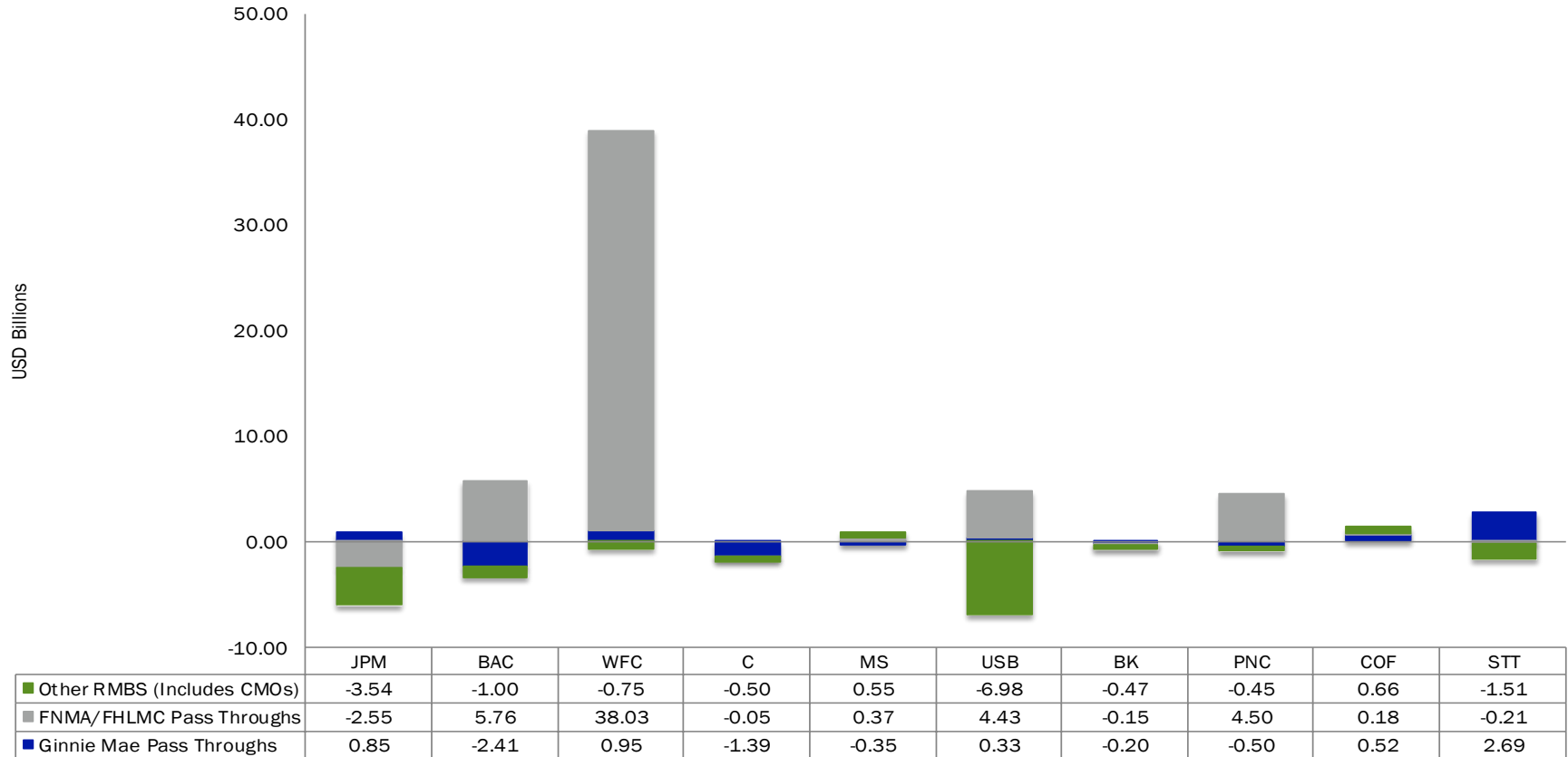
# Change in Securities: Agency Debt Securities



Agency Debt holdings decreased ~\$4 billion in 3Q 16. Much of this decline was due to bond calls or asset sales by State Street Bank.

# Change in Securities: Agency & Non-Agency RMBS

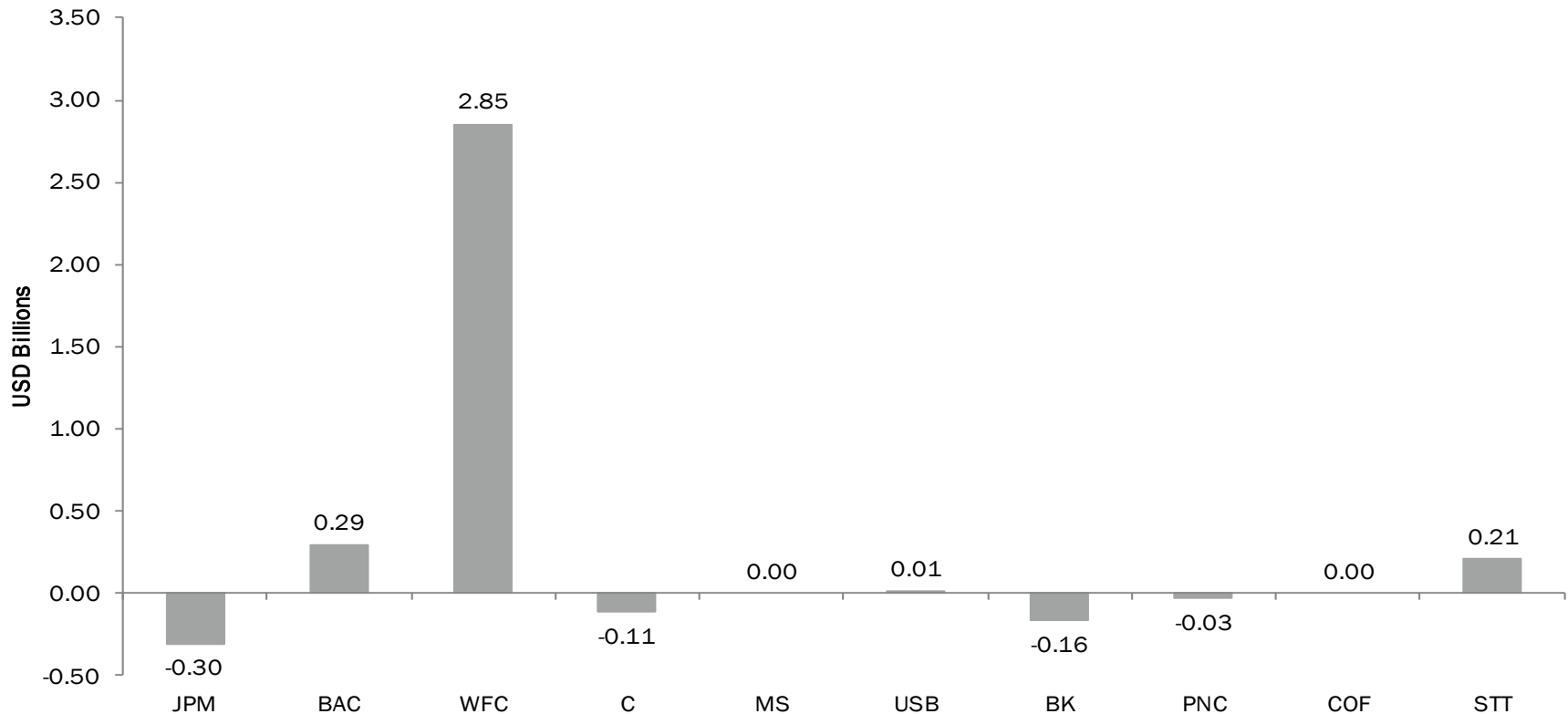
RMBS Change: 36.78Bn



Last quarter MBS reallocations were dominated by WFC; as they increased their FNMA/FHLMC holdings by \$38 billion and while decreasing their CMO holdings by \$750 Million.

# Change in Securities: Municipal Bonds

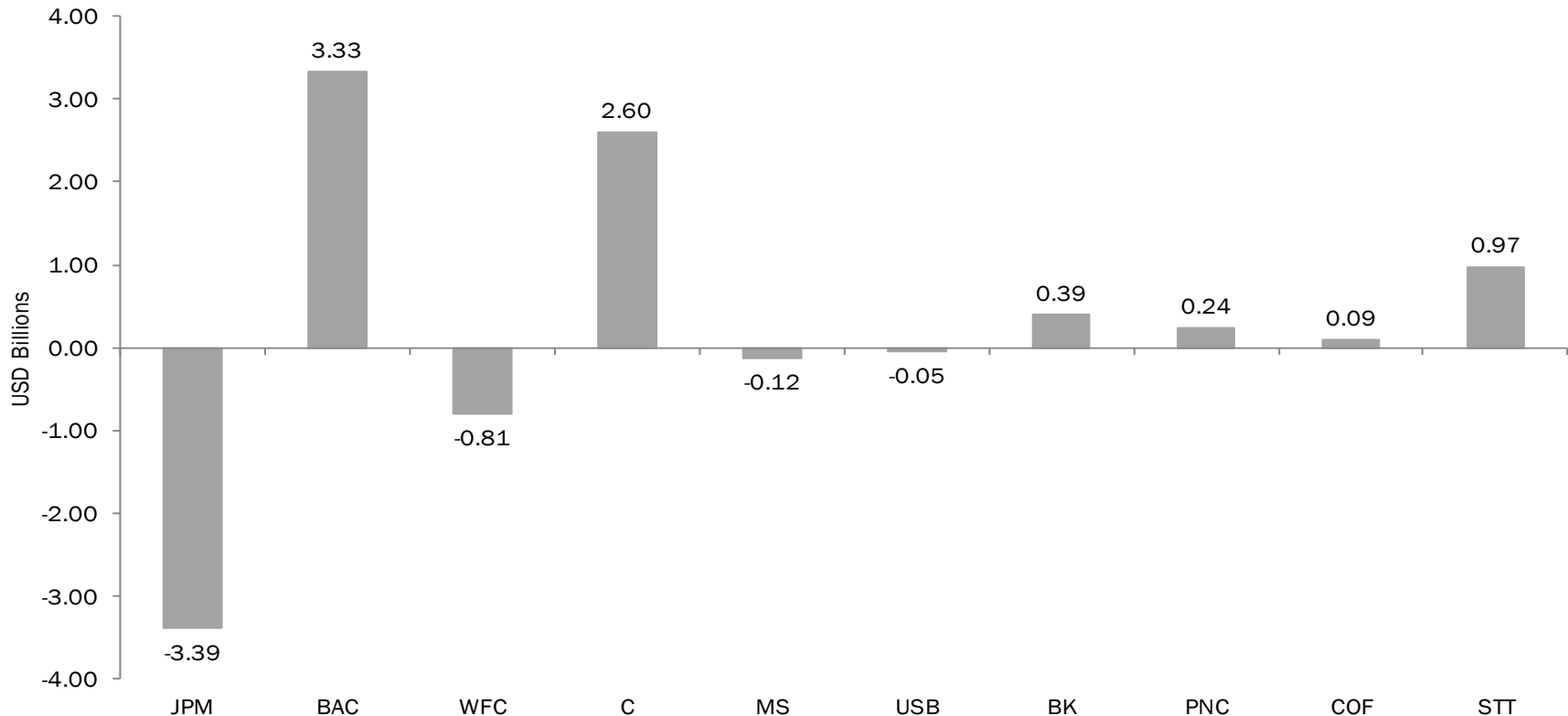
Total Munis Change: +2.76 BN



In 3Q 16, the large banks added ~\$2.76 billion in municipal bonds compared to ~\$3.26 billion in 2Q 16. WFC lead the way again with \$2.85 billion in purchases and this mirrors their 2Q additions of \$2.16 billion.

# Change in Securities: Other Debt Securities

Total Other Debt (Corp) Change: +3.26 BN



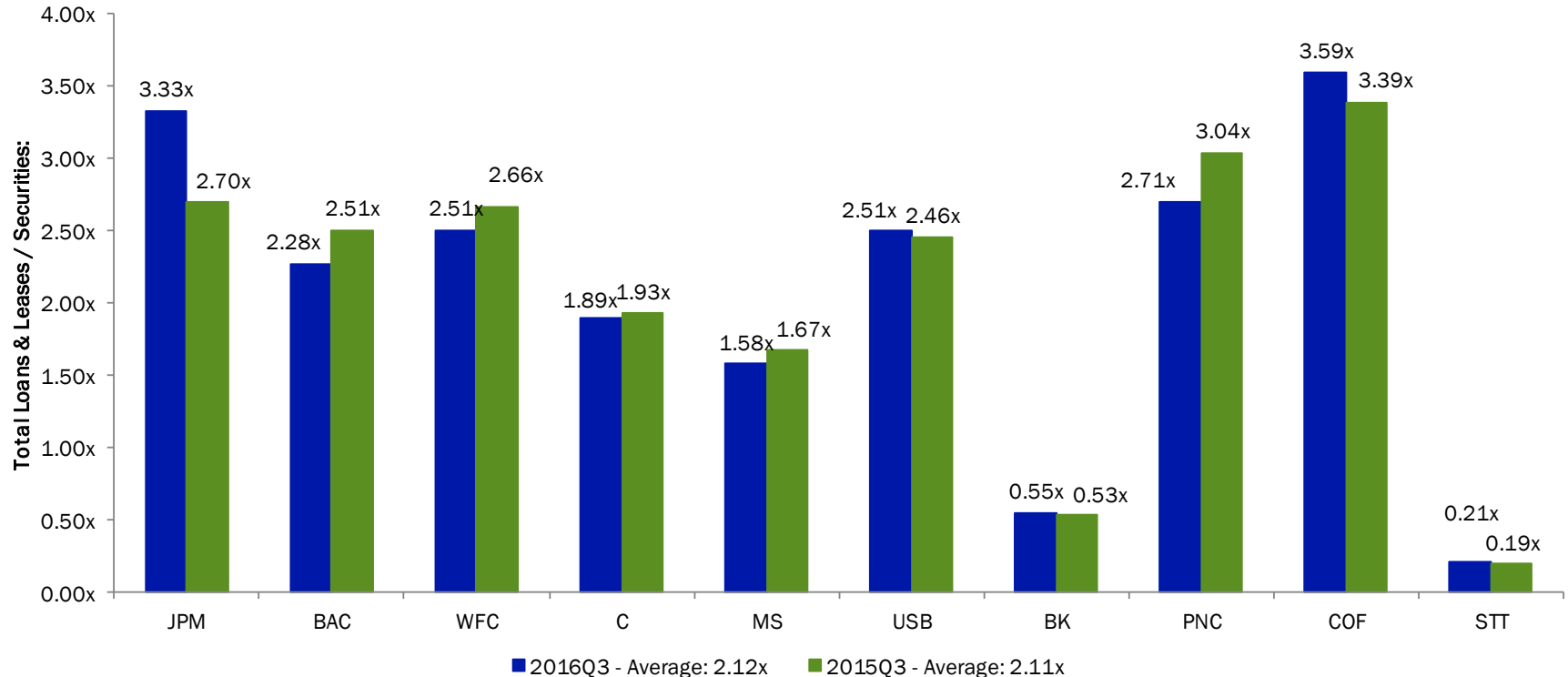
Corporates debt had the most outflows in 1Q 16 of ~\$10.2 billion. During Q3 bond purchases were led by \$ 3.33 Billion in purchases by BAC.

## Loan Portfolio vs. Securities Portfolio



# Top 10 US Banks: Loans vs. Securities Ratios

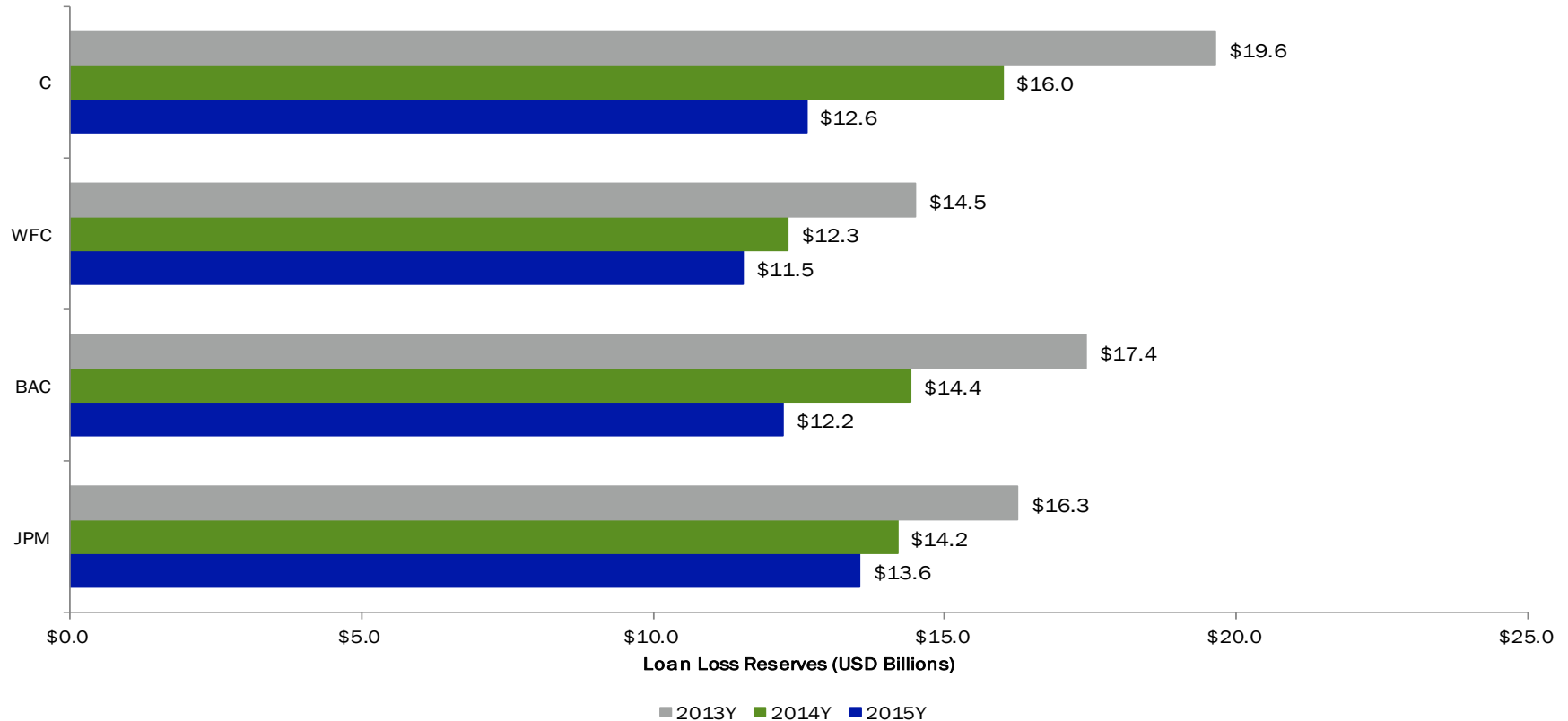
## Ratio Bank Loans vs. Bank Securities Holdings



Amongst the four largest US banks (JPM, BAC, WFC, and C), two (BAC and C) have reduced the ratio of their loan book relative to their securities portfolio over the past year.

# Loan Loss Reserve Analysis

## Historical Loan Loss Reserve



Since 4Q 13, the loan loss reserve of each of the four largest US banks has fallen by an average of 25.6%, while the bank's combined loans/securities portfolio ratios have only fallen marginally.

# Definitions

**US Treasury Securities:** Securities issued by the U.S. Treasury

**US Agency Obligation:** Obligations of U.S. government agencies. Mortgage-backed securities are excluded

**US State & Political Sub:** Securities issued by states and political subdivisions in the United States

**Mortgage Backed Securities:** Value of all mortgage-backed securities

**Structured Financial Products:** Value of structured financial products that are cash, synthetic or hybrid instruments

**ABS:** Value of all held-to-maturity asset-backed securities

**Loan Loss Reserve:** Reserves, both general and specific, for losses on loans and finance leases only. Does not include reserves for operating leases, real estate owned or other investments.

**Total Loans:** Total of loans and lease financing receivables, net of unearned income. Includes loans secured by real estate; loans to depository institutions; loans to finance agricultural production and other loans to farmers; commercial and industrial loans; acceptances of other banks (both U.S. and non-U.S.); loans to individuals for household, family, and other personal expenditures; loans to non-U.S. governments and official institutions; obligations of states and political subdivisions in the U.S.; other loans (e.g., for purchasing or carrying securities, and not including consumer loans); lease financing receivables (net of unearned income); and less any unearned income on loans reflected in items above.

**Other Debt Securities:** This item includes the following: (1) bonds, notes, debenture, equipment trust certificates, and commercial paper issued by U.S.-chartered corporations and other U.S. issuers and not reportable elsewhere in Schedule HC-B. (2) Preferred stock of U.S.-chartered corporations and business trusts that by its terms either must be redeemed by the issuing corporation or trust or is redeemable at the option of the holder, including trust preferred securities subject to mandatory redemption. (3) Detached U.S. government security coupons and ex-coupon U.S. government securities held as the result of either their purchase or the bank holding company's stripping of such securities and Treasury receipts such as CATS (Certificates of Accrual on Treasury Securities), TIGR (Treasury Investment Growth Receipts), COUGAR (Certificates on Government Receipts), LION (Lehman Investment Opportunity Notes), and ETR (East Treasury Receipts).

High Quality Liquid Assets are assets that can be sold on private markets with no or little loss of value- even in stressed conditions. HQLA is comprised of different tiers of assets which are meant to measure the overall potential

**HQLA:** liquidity of a bank's portfolio assets.

**Risk-Based Capital:** or RBC is the amount of capital a bank or other financial institution has to hold as required by its financial regulator. This is usually expressed as a capital adequacy ratio of equity that must be held as a percentage of risk-weighted assets.

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