

# Preferred Securities | Introduction

Bank preferred securities offer a unique combination of strong fundamentals, favorable supply/demand technical, and attractive valuations.

**Strong Fundamentals:**

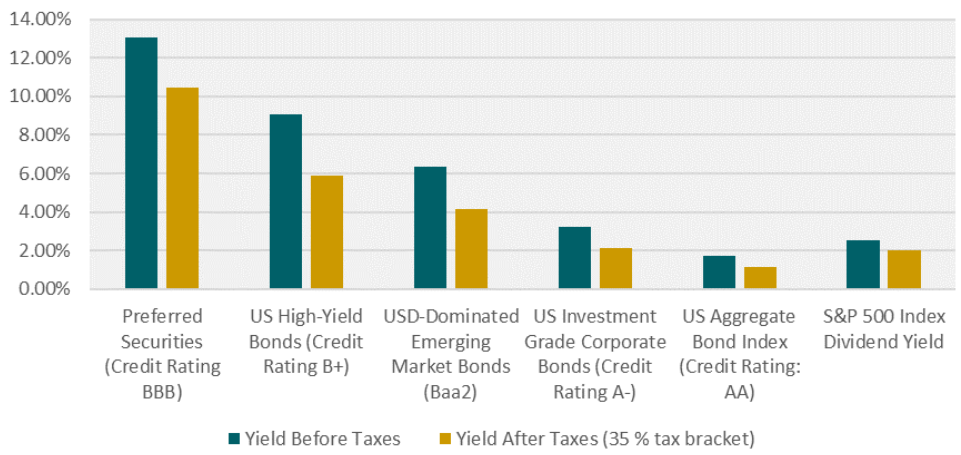
- Bank capital ratios have increased by 3x since the global financial crisis, reaching the highest levels since the 1940s.
- The Federal Reserve performs a ‘stress test’ on the largest U.S. banks annually. Banks have performed solidly during recent stress tests with bank capital ratios able to withstand a substantial deterioration in the economic landscape without losing the ability to pay preferred dividends.

**Positive Technical Backdrop:**

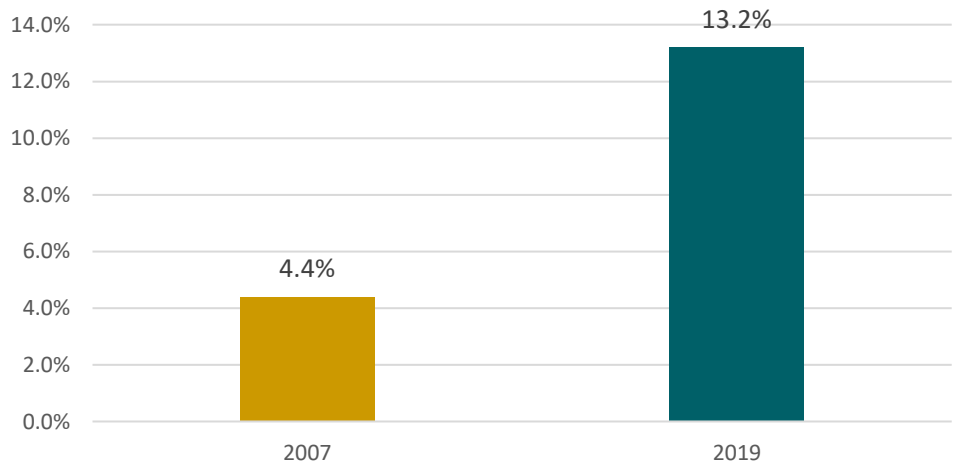
- Net supply is expected to be limited as banks have already issued the vast majority of their required regulatory capital, meaning the bulk of future supply will be to replace outstanding issues.

**Attractive Valuations:**

- The recent sell-off has created some attractive opportunities within the preferred market. Despite better underlying credit quality, preferreds offer higher yields than other sectors of the credit market. Certain preferreds also provide favorable tax treatment with coupon payments considered qualified dividend income (QDI).



**Common Equity Tier 1 Ratios**



Source: Index yield-to-worst shown as of 03.16.20. Preferred securities represented by Wells Fargo PFLT index. High-Yield, Emerging Markets, Investment Grade, and Aggregates indices represented by their respective Bloomberg Barclays Indices. Capital Ratios based on 4Q19 earnings. Banks include Citi, Credit Suisse, Goldman Sachs, HSBC, JP Morgan, Morgan Stanley and Wells Fargo.

# Preferred Securities | JP Morgan Floating Rate

## Issuer Description

JPMorgan Chase & Co. provides global financial services and retail banking. The Company provides services such as investment banking, treasury and security services, asset management, private banking, card member services, commercial banking, and home financing. JPMorgan Chase serves business enterprises, institutions, and individuals.

Current Equity Market Cap (MM) 271,832

Tier-1 Capital Ratio 14.10%

Senior Issuer Credit Rating (Moody's/S&P) A2/A-

## Security Description

Maturity Perpetual/Call

Security Credit Rating (Moody's/S&P) Baa2/BBB-

Next Call 4/30/2020

Coupon Structure Fixed-to-Float

Call/Coupon Frequency Quarterly

Coupon Floating Rate Libor + 3.47%

Amount Issued (MM) 6,000

Amount Outstanding (MM) 2,934

## Price & Yield

Current Market Price \$81.25

Yield to Call (4/30/21) 24.56%

Yield to Call (4/30/22) 15.23%

Yield to Maturity (Perpetual) 5.79%

Option Adjusted Duration -1.06

Source: Bloomberg, 3.25.20



# Preferred Securities | Bank of America 6.10%

### Issuer Description

Bank of America Corporate operates as a bank. The Bank offers savings accounts, deposits, mortgage and construction loans, cash and wealth management, certificates of deposit, investment fund, credit and debit cards, insurance, mobile, and online banking services. Bank of America serves customers worldwide.

Current Equity Market Cap (MM)	184,093
Tier-1 Capital Ratio	12.60%
Senior Issuer Credit Rating (Moodys/S&P)	A2/A-

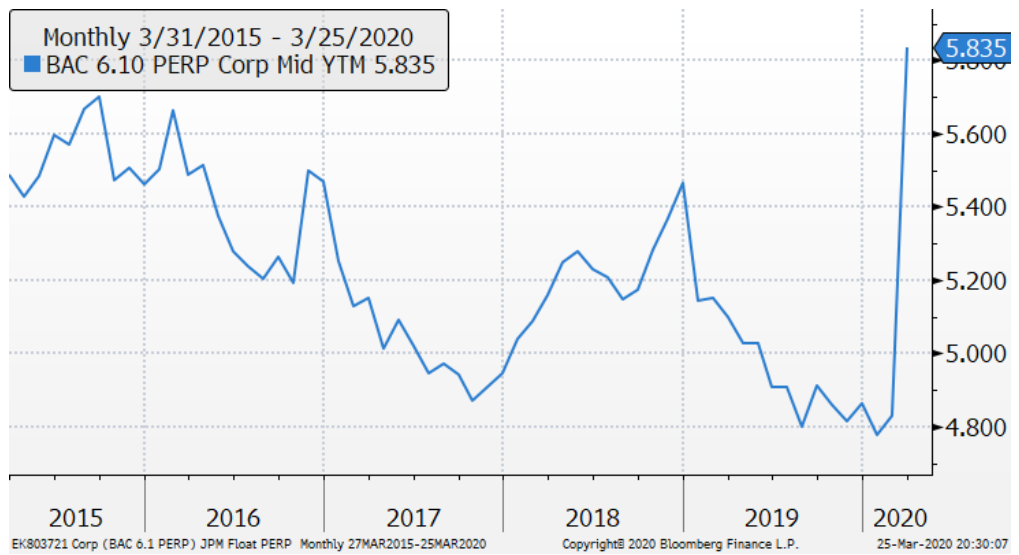
### Security Description

Maturity	Perpetual/Call
Security Credit Rating (Moodys/S&P)	Baa3/BBB-
Next Call	3/17/2025
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	6.10%
Coupon Floating Rate	Libor + 3.90%
Amount Issued (MM)	1,900
Amount Outstanding (MM)	1,900

### Price & Yield

Current Market Price	\$92.54
Yield to Call (3/17/2025)	7.94%
Yield to Call (3/17/2026)	7.55%
Yield to Maturity (Perpetual)	5.84%
Option Adjusted Duration	3.80

Source: Bloomberg, 3.25.20



# Preferred Securities | Bank of New York 4.95%

### Issuer Description

The Bank of New York Mellon Corporation (BNY Mellon) is a global financial services company. The Company provides asset and wealth management, asset servicing, issuer, clearing, and treasury services for institutions, corporations, and high net worth individuals.

Current Equity Market Cap (MM)	28,003
Tier-1 Capital Ratio	14.80%
Senior Issuer Credit Rating (Moodys/S&P)	A1/A

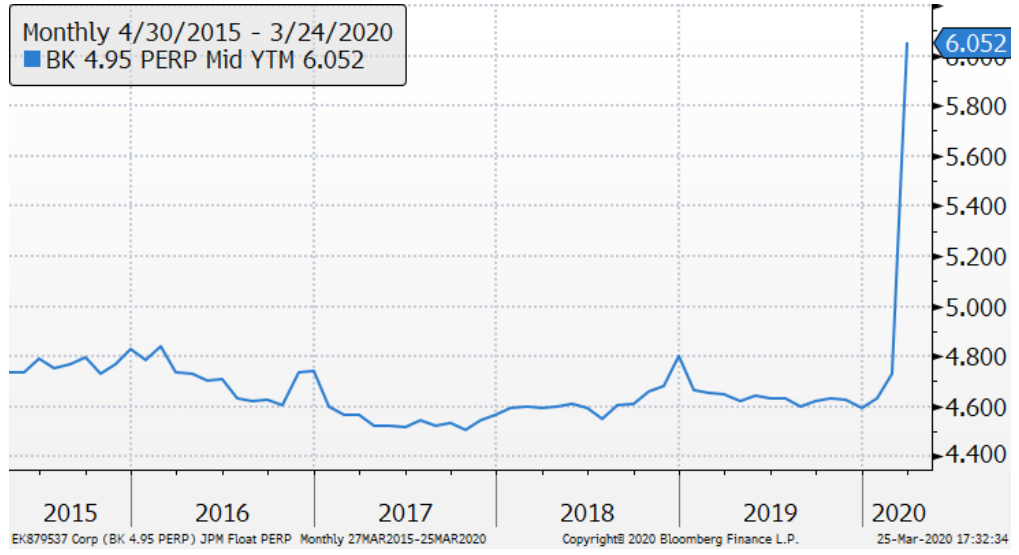
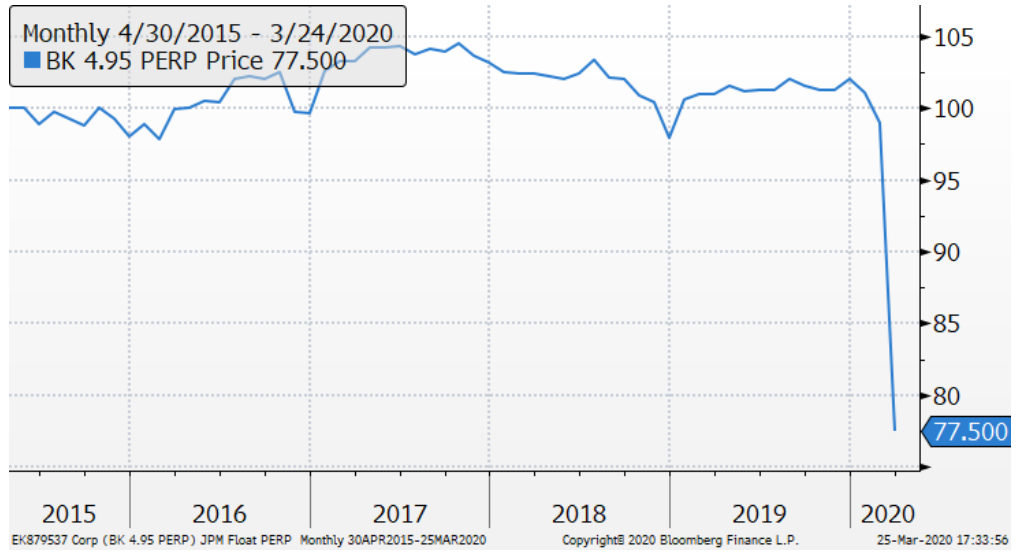
### Security Description

Maturity	Perpetual/Call
Security Credit Rating (Moodys/S&P)	Baa1/BBB
Next Call	6/20/2020
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	4.95%
Coupon Floating Rate	Libor + 3.42%
Amount Issued (MM)	1,000
Amount Outstanding (MM)	1,000

### Price & Yield

Current Market Price	\$77.50
Yield to Call (6/20/21)	27.58%
Yield to Call (6/30/22)	17.20%
Yield to Maturity (Perpetual)	6.05%
Option Adjusted Duration	-1.11

Source: Bloomberg, 3.25.20



# Preferred Securities | Goldman Sachs 5.375%

### Issuer Description

Goldman Sachs Group, Inc., a bank holding company, is a global investment banking and securities firm specializing in investment banking, trading and principal investments, asset management and securities services. The Company provides services to corporations, financial institutions, governments, and high-net worth individuals.

Current Equity Market Cap (MM)	55,610
Tier-1 Capital Ratio	15.20%
Senior Issuer Credit Rating (Moody's/S&P)	A3/BBB+

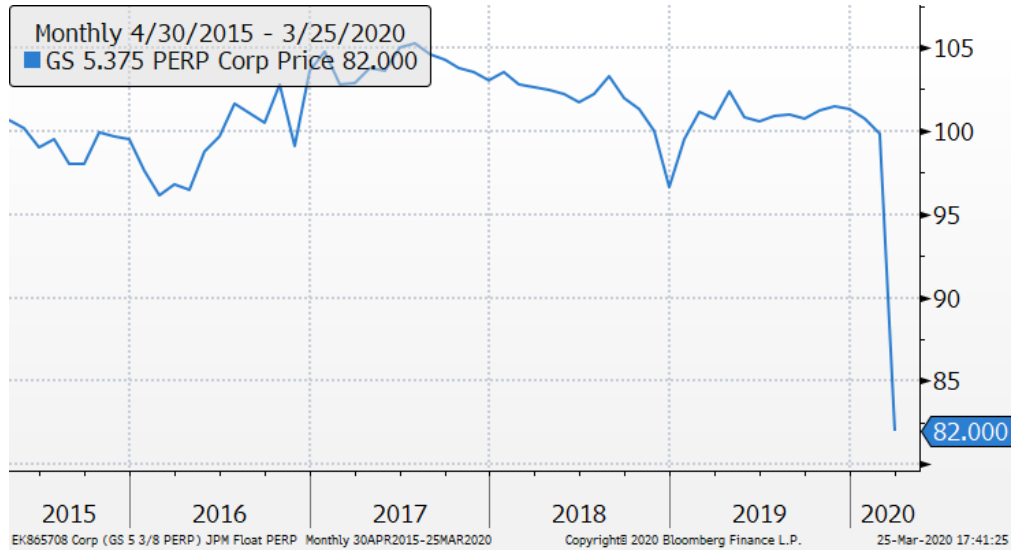
### Security Description

Maturity	Perpetual/Call
Security Credit Rating (Moody's/S&P)	Baa2/BBB-
Next Call	5/10/2020
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	5.375%
Coupon Floating Rate	Libor + 3.92%
Amount Issued (MM)	2,000
Amount Outstanding (MM)	2,000

### Price & Yield

Current Market Price	\$82.00
Yield to Call (5/10/21)	24.64%
Yield to Call (5/10/22)	15.54%
Yield to Maturity (Perpetual)	6.34%
Option Adjusted Duration	-0.96

Source: Bloomberg, 3.25.20



# Preferred Securities | Morgan Stanley 5.55%

## Issuer Description

Morgan Stanley, a bank holding company, provides diversified financial services on a worldwide basis. The Company operates a global securities business which serves individual and institutional investors and investment banking clients. Morgan Stanley also operates global asset management businesses.

Current Equity Market Cap (MM)	52,086
Tier-1 Capital Ratio	19.20%
Senior Issuer Credit Rating (Moody's/S&P)	A3/BBB+

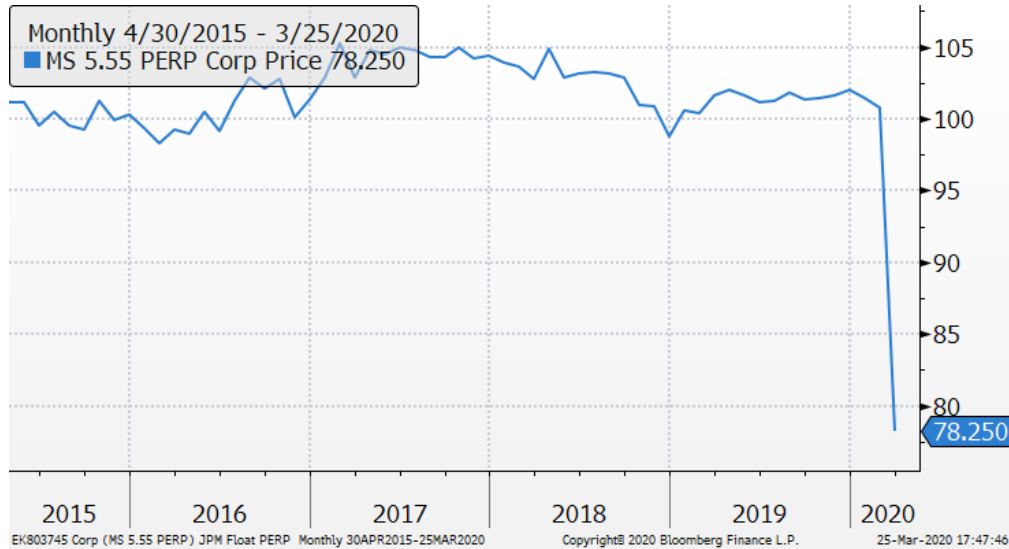
## Security Description

Maturity	Perpetual/Call
Security Credit Rating (Moody's/S&P)	Baa2/BBB-
Next Call	7/15/2020
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	5.55%
Coupon Floating Rate	Libor + 3.81%
Amount Issued (MM)	1,500
Amount Outstanding (MM)	1,500

## Price & Yield

Current Market Price	\$78.25
Yield to Call (7/15/21)	26.03%
Yield to Call (7/15/22)	17.01%
Yield to Maturity (Perpetual)	6.51%
Option Adjusted Duration	-0.83

Source: Bloomberg, 3.25.20



# Preferred Securities | State Street 5.25%

## Issuer Description

State Street Corporation services institutional investors and manages financial assets worldwide. The Company's products and services include custody, accounting, administration, daily pricing, international exchange services, cash management, financial asset management, securities lending, and investment advisory services.

Current Equity Market Cap (MM)	17,497
Tier-1 Capital Ratio	14.60%
Senior Issuer Credit Rating (Moody's/S&P)	A1/AA-

## Security Description

Maturity	Perpetual/Call
Security Credit Rating (Moody's/S&P)	Baa1/BBB
Next Call	9/15/2020
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	5.25%
Coupon Floating Rate	Libor + 3.60%
Amount Issued (MM)	750
Amount Outstanding (MM)	750

## Price & Yield

Current Market Price	\$83.97
Yield to Call (9/15/21)	17.95%
Yield to Call (9/15/22)	12.75%
Yield to Maturity (Perpetual)	5.81%
Option Adjusted Duration	-0.763

Source: Bloomberg, 3.25.20





# Preferred Securities | Prudential Life Insurance 5.625%

### Issuer Description

Prudential Financial, Inc. provides financial services throughout the United States and several locations worldwide. The Company offers a variety of products and services, including life insurance, mutual funds, annuities, pension, and retirement related services, as well as administration and asset management.

Current Equity Market Cap (MM)	20,489
Tier-1 Capital Ratio	NA
Senior Issuer Credit Rating (Moodys/S&P)	A3/A

### Security Description

Maturity	6/15/2043
Security Credit Rating (Moodys/S&P)	Baa1/BBB+
Next Call	6/15/2023
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	5.625%
Coupon Floating Rate	Libor + 3.92%
Amount Issued (MM)	1,500
Amount Outstanding (MM)	1,500

### Price & Yield

Current Market Price	\$83.05
Yield to Call (6/15/23)	12.14%
Yield to Call (6/15/24)	10.63%
Yield to Maturity (6/15/43)	6.76%
Option Adjusted Duration	1.17

Source: Bloomberg, 3.25.20





# Preferred Securities | Depository Trust & Clearing Corporation 4.875%

## Issuer Description

The Depository Trust & Clearing Corporation provides financial services. The Company offers asset, wealth and collateral management, derivatives, clearance, settlement, and information solutions, as well as mutual funds and insurance transactions for equities, corporate, and municipal bonds. The Depository Trust & Clearing Corporation serves customer in the United States.

Current Equity Market Cap (MM)	NA
Tier-1 Capital Ratio	NA
Senior Issuer Credit Rating (Moody's/S&P)	Aa3/AA-

## Security Description

Maturity	Perpetual/Call
Security Credit Rating (Moody's/S&P)	A2/A
Next Call	6/15/2020
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	4.875%
Coupon Floating Rate	Libor + 3.17%
Amount Issued (MM)	400
Amount Outstanding (MM)	400

## Price & Yield

Current Market Price	\$99.81
Yield to Call (6/15/21)	4.70%
Yield to Call (6/15/22)	4.59%
Yield to Maturity (Perpetual)	4.44%
Option Adjusted Duration	0.13

Source: Bloomberg, 3.25.20



# Preferred Securities | Cobank 6.25%

## Issuer Description

CoBank ACB operates as a cooperative bank. The Bank provides loans, leases, export financing, and other financial services to agribusiness, rural power, water, and communications providers.

Current Equity Market Cap (MM)	NA
Tier-1 Capital Ratio	NA
Senior Issuer Credit Rating (Moody's/S&P)	A2/A-

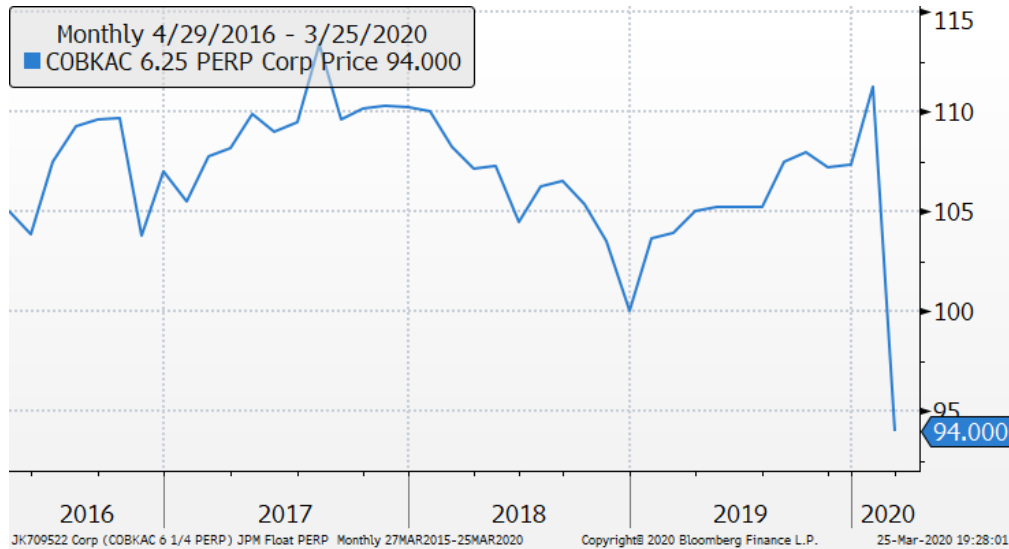
## Security Description

Maturity	Perpetual/Call
Security Credit Rating (Moody's/S&P)	NA/AA-
Next Call	10/1/2026
Coupon Structure	Fixed-to-Float
Call/Coupon Frequency	Quarterly
Coupon Fixed Rate	6.25%
Coupon Floating Rate	Libor + 4.66%
Amount Issued (MM)	375
Amount Outstanding (MM)	375

## Price & Yield

Current Market Price	\$94.00
Yield to Call (10/1/26)	7.43%
Yield to Call (10/1/27)	7.27%
Yield to Maturity (Perpetual)	6.43%
Option Adjusted Duration	4.72

Source: Bloomberg, 3.25.20



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