



Industry Update

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Banks Large Cap Banks

A Check-Up on KBW's Capital Return Assumptions for the 2014 CCAR

Summary--

Banks are currently working to complete 2014 CCAR submissions, which are due on January 6th, and we are taking this time to review the reasonableness of our capital return assumptions as well. In order to do this, we recreated the 2013 CCAR stress test with some modifications and used our own estimates where necessary in order to create a 2014 CCAR sensitivity analysis. Overall, we would define the assumptions used in our sensitivity analysis as *very conservative* and better suited to highlight banks at risk of lower capital returns, relative to our expectations, versus higher returns. That said, we believe expectations have been meaningfully raised regarding potential capital return and disappointment will likely be viewed very negatively by investors. In the end, we believe that all banks will pass the stress test and capital review quantitatively but a few banks may fall short of passing the capital plan review due to qualitative reasons. *Erratum corrects exhibits 1 & 7 data on capital return expectations and capital ratio guidance.*

Key Points--

- **Summary of Our Capital Return Expectations:** Compared to our expected capital return under 2013 CCAR approvals, we expect several banks will meaningfully increase net capital return (> 50% increase) and these banks, in order of percentage increase, include C, MTB, COF, BAC, PNC, STI, WFC, and BBT. Conversely, we expect net capital return will decline modestly (< 10%) for FITB, RF, ZION, KEY, and GS. We are broadly expecting a higher amount of capital return, but we believe most banks will favor share repurchase as the predominant payout method given it provides banks greater flexibility which the Fed will likely view more favorably.
- **Banks May Feel Stress, but Likely to Be from Qualitative and not Quantitative Sources:** We highlight each bank's buffer to the minimum capital ratio requirement throughout the nine quarter cycle. The median bank had the smallest buffer under the Tier 1 Capital ratio under the Basel III standardized approach (1.1% of RWA) and Basel III ratios were generally lower than Basel I ratios. Based on our analysis, BAC, CMA, GS, and KEY all fall below the required minimums on any measure, but each bank may have very different PPNR assumptions than we use.
- **What's Next in the Process?** Banks have to submit their CCAR plans by January 6, 2014, and the Federal Reserve will release results by March 31, 2014. Remember, last year the Fed released stress test results on March 7th and full capital plan reviews on March 14th. Overall, we view the CCAR process as a two-tiered process where the largest banks (G-SIFIs) will be under greater regulatory scrutiny and smaller banks will be given greater latitude in their submissions and "robustness" of analysis.
- **Interactive Tools Available for Investors:** To better assess a bank's capital return potential ahead of the 2014 CCAR, we have built an interactive model that investors can use to review our analysis and/or change assumptions as desired. In addition, to calculate the required ratios under Basel III we have a model for each bank with our Basel III calculations and assumption and this has been made available as well. *Please contact your KBW salesperson directly if you wish to access the excel version of the file which is available with our estimates for all twenty-two companies in this report.*

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Please refer to important disclosures and analyst certification information on pages 18 - 21.



Overview

Banks are currently working to complete 2014 CCAR submissions packages which are due on January 6, 2014. Given the approaching bank deadline, we have reviewed our capital return assumptions for CCAR banks to see where our capital return assumptions may be at risk of being moved higher or lower. In order to do this, we recreated the 2013 CCAR stress test with some modifications and used our own estimates where necessary in order to create a 2014 CCAR sensitivity analysis. We focus on 22 banks in this report that are both publicly traded, parent company BHCs and covered by KBW. In total, there will be 30 BHCs that will complete the CCAR process this year versus 18 last year.

We effectively stress tested our assumptions against the severely adverse scenario that was proposed by the Federal Reserve and applied loss rates that we believe banks may face in the 2014 CCAR. Overall, we would define the assumptions used in our sensitivity analysis as very conservative and better suited to highlight banks at risk of lower capital returns versus higher returns. We also provide more detail of our analysis in the sections below and in the Appendix as well (please see Appendix A-1 and A-2).

Capital Return Assumptions for CCAR Banks

In Exhibit 1, we highlight the companies analyzed in this report and the capital return assumptions used in our 2014 stress test analysis. We believe eight banks will be near a 30% dividend payout if capital plans are approved in line with our estimates (BBT, CMA, FITB, HBAN, MTB, NTRS, USB, and WFC). The banks that we expect will be approved for the highest total payout ratio will be STT, GS, KEY, USB, CMA, DFS, and AXP. These seven banks are expected to pay out roughly 83% of earnings through dividends and net share repurchases.

Exhibit 1: Capital Return Estimates for CCAR Banks (\$ in millions)

CCAR Year*	Net Shares Repurchase (\$)	Shr. Repo. Payout Ratio	Common Dividends (\$)	Div. Payout Ratio	Total Net Payout (\$)	Total Net Payout Ratio****	YoY Comparison		YoY Comparison		
							Net Capital Return****		\$ Common Dividend per Share		
							2013	2014	2013	2014	
American Express Company AXP**	4,000	70%	966	17%	4,966	87%	4,851	4,966	2%	\$0.86	\$0.92
Bank of America Corporation BAC	5,140	34%	2,599	17%	7,739	51%	4,270	7,739	81%	\$0.08	\$0.23
BB&T Corporation BBT	462	22%	724	35%	1,186	57%	767	1,186	55%	\$0.94	\$1.02
The Bank of New York Mellon BK	1,279	46%	758	27%	2,037	73%	1,571	2,037	30%	\$0.60	\$0.68
Citigroup Inc. C	7,686	50%	594	4%	8,279	54%	121	8,279	6717%	\$0.04	\$0.20
Comerica Incorporated CMA	305	58%	156	29%	461	87%	319	461	44%	\$0.68	\$0.88
Capital One Financial Corp.** COF**	2,000	53%	801	21%	2,801	74%	1,259	2,801	123%	\$0.95	\$1.40
Discover Financial Services** DFS**	1,600	67%	464	19%	2,064	87%	1,690	2,064	22%	\$0.76	\$1.00
Fifth Third Bancorp FITB	600	39%	452	30%	1,052	69%	1,163	1,052	(10%)	\$0.48	\$0.52
Goldman Sachs Group, Inc. GS	4,614	65%	1,153	16%	5,767	81%	5,893	5,767	(2%)	\$2.10	\$2.60
Huntington Bancshares Inc. HBAN	224	38%	199	34%	423	73%	333	423	27%	\$0.20	\$0.24
JPMorgan Chase & Co. JPM	5,040	23%	6,098	27%	11,138	50%	8,945	11,138	25%	\$1.52	\$1.64
KeyCorp KEY	456	52%	254	29%	710	81%	746	710	(5%)	\$0.23	\$0.28
M&T Bank Corporation*** MTB***	(167)	-12%	443	31%	276	19%	40	276	583%	\$2.80	\$2.80
Northern Trust Corporation NTRS	331	39%	299	35%	630	73%	592	630	6%	\$1.24	\$1.28
PNC Financial Services Group PNC	690	19%	999	27%	1,689	46%	945	1,689	79%	\$1.76	\$1.88
Regions Financial Corporation RF	330	27%	278	23%	608	50%	647	608	(6%)	\$0.12	\$0.22
SunTrust Banks, Inc. STI	560	35%	318	20%	878	55%	504	878	74%	\$0.40	\$0.60
State Street Corporation STT	1,629	67%	460	19%	2,088	86%	2,047	2,088	2%	\$1.04	\$1.10
U.S. Bancorp USB	2,820	47%	1,876	32%	4,696	79%	3,736	4,696	26%	\$0.92	\$1.04
Wells Fargo & Company WFC	5,563	25%	6,816	31%	12,379	56%	7,325	12,379	69%	\$1.20	\$1.28
Zions Bancorporation*** ZION***	(60)	-16%	52	14%	(8)	-2%	(8)	(8)	(5%)	\$0.16	\$0.28

*CCAR years represent the calendar periods 2Q13-1Q14 and 2Q14-1Q15.

**Data based off calendar years and gross buyback for AXP, COF, DFS.

***MTB and ZION issuing new shares in employee comp plans, no buybacks.

****Net Capital Return is defined as the sum of common shares repurchased - net and \$ common dividends paid.

Source: Company reports and KBW Research.



Recall that last year, only BBT (among the banks we cover) received an outright rejection of its capital plan for technical reasons. AXP was required to adjust its capital plan because the company's initial ask was too high. Compared to the expected capital return under 2013 CCAR approvals, we expect several banks will meaningfully increase net capital return (> 50% increase) and these banks, in order of percentage increase, include C, MTB, COF, BAC, PNC, STI, WFC, and BBT. Conversely, we expect net capital return will decline modestly (< 10% decline) for FITB, RF, ZION, KEY, and GS.

Bottom Line: We are broadly expecting a higher amount of capital return but we believe most banks will favor share repurchase as the predominant payout method given it provides banks greater flexibility which the Fed will likely view more favorably.

Summary of Stress Test Sensitivity Results

We highlight each bank's buffer to the minimum capital ratio requirement throughout the nine quarter cycle (Exhibit 2). Overall, the median bank had the smallest buffer under the Tier 1 Capital ratio under the Basel III standardized approach (1.1% of RWA) and Basel III ratios were generally lower than Basel I ratios. The Basel III ratios begin for Standardized banks in 2015 and this also happened to be the period that cumulative losses usually create trough ratios for most banks in our analysis. Please note that the stress test analysis only extends to 2014 for COF, AXP, and DFS which is the last year of KBW's published estimates.

In the end, we believe that all banks will pass the stress test and capital review quantitatively but a few banks may fall short of investor's expected capital returns due to qualitative reasons. Therefore, we are not changing estimates for individual banks at this time. Based on our analysis, BAC, CMA, GS, and KEY all fall below the required minimums on any measure (all under Basel III) but each bank may have very different PPNR assumptions than we use. As a sensitivity check, if we adjust our PPNR haircut to 20% from 40% (applied to analysts published estimates) then only CMA would be below the required minimum and by the smallest of margins (0.1%).

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Exhibit 2: Regulatory Capital Ratio Buffer to Required Minimums**

Difference Between Projected Capital Ratio and Required Minimum at Stressed Trough								
Ticker	Basel III Standardized				Basel I			
	Tier 1 Common Equity Ratio	Tier 1 Capital Ratio	Total Capital Ratio	Tier 1 Leverage Ratio	Tier 1 Common Equity Ratio	Tier 1 Capital Ratio	Total Risk- Based Capital Ratio	Basel I Tier 1 Leverage Ratio
AXP*	4.7%	3.2%	2.5%	3.5%	3.4%	4.4%	2.1%	4.2%
BAC	1.4%	(0.1%)	0.8%	0.2%	2.4%	4.3%	3.2%	2.2%
BBT	1.9%	2.0%	2.5%	2.7%	1.6%	4.3%	2.8%	3.6%
BK	5.7%	5.0%	3.9%	1.0%	7.0%	9.4%	6.4%	1.7%
C	3.5%	2.0%	2.9%	1.3%	4.0%	5.7%	4.5%	2.8%
CMA	0.8%	(0.7%)	(0.1%)	1.6%	1.7%	2.7%	1.4%	3.8%
COF*	2.5%	1.0%	0.5%	1.3%	3.5%	4.9%	3.0%	3.8%
DFS*	NA	NA	NA	NA	3.8%	5.5%	3.7%	5.5%
FITB	1.6%	0.5%	2.0%	2.5%	1.5%	3.2%	2.1%	3.8%
GS	0.4%	(0.5%)	(0.2%)	0.0%	3.0%	5.7%	4.7%	1.9%
HBAN	1.6%	0.4%	1.1%	1.8%	1.6%	3.6%	1.7%	3.7%
JPM	2.5%	1.6%	1.9%	0.9%	2.5%	4.5%	3.0%	2.0%
KEY	0.9%	(0.6%)	(0.0%)	1.4%	1.2%	2.6%	1.0%	3.3%
MTB	0.9%	0.3%	1.6%	1.6%	0.6%	2.9%	1.4%	3.0%
NTRS	3.7%	2.2%	1.4%	1.3%	4.1%	5.2%	2.3%	2.6%
PNC	2.5%	2.0%	3.1%	3.6%	2.7%	5.4%	4.5%	5.5%
RF	2.6%	1.1%	1.8%	2.3%	2.7%	4.1%	2.9%	4.0%
STI	1.5%	0.1%	0.4%	1.5%	1.6%	3.2%	1.2%	3.2%
STT	4.2%	3.2%	3.5%	0.9%	5.2%	7.0%	5.2%	1.6%
USB	0.3%	0.3%	0.3%	1.6%	0.0%	2.7%	0.6%	2.7%
WFC	2.1%	1.7%	2.0%	2.9%	2.1%	4.6%	3.4%	3.9%
ZION	2.4%	1.6%	1.6%	1.9%	2.9%	6.2%	3.9%	5.3%
Median:	2.1%	1.1%	1.6%	1.6%	2.6%	4.4%	3.0%	3.5%
Average:	2.3%	1.3%	1.6%	1.7%	2.7%	4.7%	3.0%	3.4%

*AXP, COF, and DFS data represent the period 4Q13-4Q14. All other companies are evaluated over the 9 quarter planning horizon from 4Q13 to 4Q15. Most companies reach trough capital ratios in calendar 2015.

**We evaluate companies Basel I capital ratios over the entire 9 quarter horizon and present the minimum buffer value over that period even though many banks will be judged on the Basel III minimums in calendar 2014 and 2015. All banks are evaluated on their Basel I Tier 1 common equity ratio through the entire horizon. We calculate Basel III capital ratios for advanced approaches companies in calendar 2014 and 2015 and for standardized approach companies in calendar 2015.

Note: See appendix for a summary of key assumptions used in projecting stressed capital ratios. Minimum buffer measures the lowest value for the difference between a company's projected capital ratio and its required minimum capital ratio over the 9 quarter stress test cycle.

Source: Company reports, Federal Reserve Board of Governors, and KBW Research.

As we look ahead to the end of the process, we would not be surprised to see more rejected capital plans for technical reasons. The Federal Reserve has already effectively indicated that this will be a two-tier test with the largest, most complex firms having to show robust analysis across more tests. Large regional and new CCAR banks may be granted slightly more latitude, more true for the latter versus the former, but qualitative issues will likely persist especially for first time filers.

Bottom Line: We believe the 2014 CCAR could be “messier” for banks than it has been in past years and investors should brace for volatile bank stock performance as results are announced. We believe expectations have been meaningfully raised regarding potential capital return and disappointment will likely be viewed very negatively by investors.

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Banks May Face a “Qualitative” Hurdle That Cannot Be Estimated

Most banks appear well positioned for the 2014 CCAR process based on our stress analysis and capital return assumptions. In fact, we believe the largest hurdle to the banks' capital plans may be due to procedural miscues or qualitative factors versus inadequate capital levels in a stressed environment. The qualitative reasons that the Federal Reserve gave for rejecting a bank's capital plan included:

- Outstanding material unresolved supervisory issues,
- Inadequate assumptions and analyses supporting the capital plan,
- The BHC's capital adequacy process, including the risk-measurement and risk-management practices supporting this process, as well as the governance and controls around these practices, are not sufficiently robust, or
- The CCAR assessment results in a determination that a BHC's CAP or proposed capital distributions would otherwise constitute an unsafe or unsound practice, or would violate any law, regulation, Board order, directive, or any condition imposed by, or written agreement with, the Board.

We believe that the stress scenarios are less stressful this year but there is greater focus on other losses and potential litigation losses given the large amount of fines that banks have paid/reserved this year. If the Fed is very aggressive in requiring capital to be set aside for large litigation losses then banks may have to resubmit plans that are more conservative than we anticipate. This would likely impact the largest banks disproportionately that have more legacy legal/credit issues in general. However, all banks may be impacted to some varying degree. We also believe that PPNR assumptions will be closely scrutinized again and our analysis applies a 40% haircut to our PPNR numbers which are based on our published estimates. Please note, a full breakdown of our assumptions by bank can be found in Appendix A-1.

In Exhibit 3, we show the dollar value each bank has a potential buffer to absorb additional losses before failing a stress test using our capital and loss assumptions. Given that many of the largest legal cases outstanding regarding rep and warranty have been settled this year, we believe that the Federal Reserve will focus on LIBOR litigation. We find it difficult to handicap what the Fed will do regarding legal costs but for our estimates of potential civil litigation that Universal banks could face on major outstanding legal issues, please see the November 12, 2013 report, [Litigation weighs down Global IB investment cases](#).



Exhibit 3: Buffer to Offset Higher Losses and/or Additional Capital Return

\$ in millions

	Basel III Standardized**				Basel I**			
	Tier 1 Common Equity	Tier 1 Capital	Total Capital	Tier 1 Leverage	Tier 1 Common Equity	Tier 1 Capital	Total Risk- Based Capital	Basel I Tier 1 Leverage
AXP*	6,548	4,477	3,478	5,604	4,690	6,082	2,909	6,754
BAC	21,928	(832)	11,435	5,164	31,954	57,670	43,100	47,653
BBT	2,969	3,169	3,827	5,027	2,356	6,440	4,164	6,781
BK	8,446	7,441	5,754	3,351	8,007	10,827	7,388	5,673
C	43,652	24,686	37,066	25,078	45,901	64,760	51,521	53,561
CMA	573	(448)	(86)	1,056	1,135	1,793	893	2,480
COF*	5,878	2,314	1,204	3,790	7,857	10,933	6,688	11,052
DFS*	NA	NA	NA	NA	2,668	3,939	2,625	4,387
FITB	2,108	696	2,564	3,283	1,839	3,985	2,678	5,032
GS	2,834	(3,344)	(1,004)	75	13,378	25,800	21,204	16,709
HBAN	886	239	614	1,113	853	1,922	920	2,232
JPM	38,659	24,394	28,903	21,123	35,216	62,397	41,642	47,354
KEY	807	(545)	(35)	1,229	1,009	2,268	846	3,000
MTB	866	255	1,607	1,760	583	2,796	1,314	3,309
NTRS	2,634	1,554	1,007	1,424	2,792	3,561	1,578	2,940
PNC	7,434	6,074	9,359	11,537	7,683	15,572	13,024	17,597
RF	2,747	1,145	1,958	2,744	2,764	4,260	3,052	4,792
STI	2,396	213	657	2,601	2,388	4,978	1,792	5,782
STT	5,065	3,915	4,280	2,077	4,848	6,594	4,844	3,568
USB	1,105	844	893	5,858	(108)	8,488	2,040	10,064
WFC	28,720	22,394	27,521	43,374	25,532	54,653	40,498	57,984
ZION	1,030	686	685	1,054	1,298	2,807	1,768	2,943

*AXP, COF, and DFS data represent the period 4Q13-4Q14. All other companies are evaluated over the 9 quarter planning horizon from 4Q13 to 4Q15. Most companies reach trough capital ratios in calendar 2015.

**We evaluate companies Basel I capital ratios over the entire 9 quarter horizon and present the minimum buffer value over that period even though many banks will be judged on the Basel III minimums in calendar 2014 and 2015. All banks are evaluated on their Basel I Tier 1 common equity ratio through the entire horizon. We calculate Basel III capital ratios for advanced approaches companies in calendar 2014 and 2015 and for standardized approach companies in calendar 2015.

Note: See appendix for a summary of key assumptions used in projecting stressed capital ratios. Minimum buffer measures the lowest value for the difference between a company's projected capital ratio and its required minimum capital ratio over the 9 quarter stress test cycle.

Source: Company reports, Federal Reserve Board of Governors, and KBW Research.

Review of the CCAR Process

Banks have to submit their CCAR plans by January 6, 2014, and the Federal Reserve will release results by March 31, 2014. Overall, we view the CCAR process as a two-tiered process where the largest banks (G-SIFIs) will be under greater regulatory scrutiny and smaller banks will be given greater latitude in their submissions and "robustness" of analysis. We believe the majority of banks will follow the non-advanced approaches rules and be primarily faced with Basel I minimums in 2013 and 2014 and Basel III minimums in 2015, including regulatory transitions (Exhibit 4).



Exhibit 4: Minimum Capital Ratios for Non-Advanced Approaches BHCs

Minimum Ratio Requirement and Calculation Method	4Q13	2014Y	2015Y
Tier 1 Common #1	5.0%	5.0%	5.0%
Tier 1 Common	Basel I	Basel I	Basel I
RWA	Basel I	Basel I	Basel I
Tier 1 Common #2	n/a	n/a	4.5%
Tier 1 Common			B3 w/ Transitions
RWA			Basel 3 - Standardized
Tier 1 Capital	4%	4%	6%
Tier 1 Capital	Basel I	Basel I	B3 w/ Transitions
RWA	Basel I	Basel I	Basel 3 - Standardized
Total Capital	8%	8%	8%
Total Capital	Basel I	Basel I	B3 w/ Transitions
RWA	Basel I	Basel I	Basel 3 - Standardized
Tier 1 Leverage	3% or 4%	3% or 4%	4.0%
Tier 1 Capital	Basel I	Basel I	B3 w/ Transitions
Total Adjusted Assets	Basel I	Basel I	Basel 3

Note: In our analysis we use a 4% Basel I Tier 1 Leverage ratio for all banks and not the 3% that some banks may use in the actual CCAR stress test.

Source: Federal Reserve Board of Governors and KBW Research.

A few of the largest banks may follow the Advanced Approaches minimums which require using Basel III transitions beginning in 2014. We must admit, it is unclear to us whether any bank will be considered "Advanced Approaches" in this year's CCAR. It is our understanding that if a bank is expected to end the parallel run phase during the stress test cycle then that bank would use Basel III Advanced Approaches in the remaining periods if that event occurs in 2014 or later. In Exhibit 5, we show the results our stress test analysis for those banks that may be considered Advanced Approaches (> \$250 billion in assets or > \$10 billion in foreign assets). We believe that only BAC, BK, C, GS, JPM, STT, and WFC may realistically end the Basel II parallel run during the upcoming cycle. COF has stated that it expects it would potentially end its parallel run in 1Q16 at the earliest so the shortfalls shown in the chart are not applicable, in our view. Ultimately, the Standardized method of calculation usually results in lower capital ratios so this is likely the constraining method for most banks, so we feel we are being conservative again by not allowing the Advanced calculation even if banks may use them in the CCAR.

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Exhibit 5: Stress Results Under Advanced Approaches Methodology (Qualifying Banks)

Difference Between Projected Capital Ratio and Required Minimum at Stressed Trough				
Ticker	Basel III Advanced			Tier 1 Leverage Ratio
	Tier 1 Common Equity Ratio	Tier 1 Capital Ratio	Total Capital Ratio	
AXP*	4.7%	3.2%	1.3%	3.5%
BAC	2.0%	0.5%	0.6%	0.2%
BBT	NA	NA	NA	NA
BK	6.8%	6.2%	5.1%	1.0%
C	3.4%	1.9%	1.7%	1.3%
CMA	NA	NA	NA	NA
COF*	0.9%	(0.6%)	(2.5%)	1.3%
DFS*	NA	NA	NA	NA
FITB	NA	NA	NA	NA
GS	0.8%	(0.1%)	0.4%	0.0%
HBAN	NA	NA	NA	NA
JPM	2.3%	1.3%	0.9%	0.9%
KEY	NA	NA	NA	NA
MTB	NA	NA	NA	NA
NTRS	5.1%	3.6%	3.0%	1.3%
PNC	2.1%	1.6%	1.7%	3.6%
RF	NA	NA	NA	NA
STI	NA	NA	NA	NA
STT	5.1%	4.2%	4.7%	0.9%
USB	0.5%	0.4%	(0.3%)	1.6%
WFC	1.8%	1.3%	0.6%	2.9%
ZION	NA	NA	NA	NA
Median:	2.2%	1.5%	1.1%	1.3%
Average:	3.0%	2.0%	1.4%	1.5%

*AXP, COF, and DFS data represent the period 4Q13-4Q14. All other companies are evaluated over the 9 quarter planning horizon from 4Q13 to 4Q15. Most companies reach trough capital ratios in calendar 2015.

Note: See appendix for a summary of key assumptions used in projecting stressed capital ratios. Minimum buffer measures the lowest value for the difference between a company's projected capital ratio and its required minimum capital ratio over the 9 quarter stress test cycle. We calculate Basel III capital ratios for advanced approaches companies in calendar 2014 and 2015.

Source: Company reports, Federal Reserve Board of Governors, and KBW Research.

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Banks will also have to submit Basel III transitional plans in addition to meeting some Basel III transitions in the stress test. The transitional plans look out to 2019, earlier for the leverage ratio, and banks must show that they will remain above the transitional targets and ideally banks should be above the “steady progress” target that is calculated by the Federal Reserve (Exhibit 6). If a BHC is below the transitional target then that BHC will have to submit a plan that shows what steps the banks will take to get above the target (including actions such as external capital raises). If a BHC is above the transitional target but below fully phased-in targets, the bank will need to submit plans that show how the bank will build equity in order to meet the required fully phased-in target by the final adoption date.

Exhibit 6: Sample Basel III Transitional Plan Requirement

	Tier 1 Common - Basel III - Transtional Path Template			
	BHC projected ratio	Fully phased-in target	Transitional target	Steady progress
Q3 2013	5.50%	9.00%		5.50%
Q4 2013	7.00%	9.00%	3.50%	6.06%
Q4 2014	8.00%	9.00%	4.00%	6.62%
Q4 2015	9.00%	9.00%	4.50%	7.18%
Q4 2016	10.00%	9.00%	5.63%	7.74%
Q4 2017	11.00%	9.00%	6.75%	8.30%
Q4 2018	12.00%	9.00%	7.88%	8.86%
Q4 2019		9.00%	9.00%	9.00%

Note: Basel III Tier 1 Common example. Banks will need to show transitional plans for both Basel III risk-based capital ratios and leverage ratios.

Source: Federal Reserve Board of Governors and KBW Research.

We believe that most banks will be able to show that they will be above the transitional requirements for Basel III as required by the CCAR guidelines. In fact, most banks are above the minimum required on a fully phased-in basis already—including SIFI buffers where applicable (Exhibit 7). It should also be noted that most G-SIFI banks are above the supplementary leverage ratio which requires a higher minimum ratio (>5%) than what is required for smaller banks. Therefore, we think the G-SIFI banks will meet the required transitional phase-in, especially given the disclosure we have already, and most all other banks should not see a large hurdle from the Basel III transitional requirement.

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Exhibit 7: Company Specific Disclosures on Basel III Capital Ratios

	Basel III -- Regulatory Capital Ratios			
	Tier 1 Common Ratio*	Tier 1 Capital Ratio	Supplementary Leverage Ratio (BHC)	Tier 1 Leverage Ratio
AXP	12.5%	12.5%	8.9%	10.5%
BAC	Just over 9% (S) / 9.94% (A)	-	>5%	-
BBT	9.0%	-	-	-
BK	10.1% (S) / 11.1% (A)	-	4.3%	-
C	10.5% (S) / 10.5% (A)	10.95% (A)	5.1%	-
CMA	10.4%	10.4%	-	-
COF	11.2% (S) / Low-Mid 8% (A)	-	-	-
DFS	-	-	-	-
FITB	9.5%	-	-	-
GS	A - 70 bps (S) / 9.8% (A)	-	-	-
HBAN	10.2%	-	-	-
JPM	A + 10 bps (S) / 9.3% (A)	-	4.7%	-
KEY	10.6%	-	-	-
MTB	8.7%	-	-	-
NTRS	11% (S) / 13% (A)	-	5.5%	-
PNC	8.6%	-	-	-
RF	10.4%	-	-	-
STI	9.7%	-	-	-
STT**	10.2% (S) / 11.3% (A)	-	5.4%	-
USB	8.6%	-	-	-
WFC	9.56% (A)	-	>5%	-
ZION	10.1%	10.1%	-	-

* Regulatory ratios based on standardized methodology unless otherwise noted. If noted, Standardized = S and Advanced Approaches = A.

Note: Data updated as of 3Q13.

Source: Company reports and KBW Research.

The results from the Federal Reserve will be released prior to March 31, 2014, but recall that last year the Fed released stress test results on March 7th and full CCAR results on March 14th. The summary document published by the Fed will include a bank's stress test results for both the severely adverse and adverse scenarios (adverse is new this year). The severely adverse scenario assumes a deep recession in both the U.S. and International regions. However, in the adverse scenario the Federal Reserve appears to be stressing rate risk among participating banks. We view the adverse scenario (assumes that both short-term and long-term interest rates rise during a more modest recession) as more negative for wholesale funded banks since the rise in short-term rates will impact funding costs to a greater degree. That being said, we expect the severely adverse scenario to be the constraining scenario.



Bottom Line: Banks are far along in meeting Basel III requirements but it is the other qualitative issues that may cause banks to stumble versus our expectations. Remember, last year the Federal Reserve simply had different loss estimates than what the banks did in some cases and this may be true again this year. In the end, capital return may fall short of our expectations because of the Fed's subjectivity and this may be especially true for banks exposed to LIBOR and other legal issues that are difficult to quantify.

If You Made It This Far.... an Interactive CCAR and Basel III Model Await

To better assess a bank's capital return potential ahead of the 2014 CCAR, we have built an interactive model that investors can use to review our analysis and/or change assumptions as desired. In Exhibit 8, we show a snapshot of the interactive model. In addition, to calculate the required ratios under Basel III we have a model for each bank with our Basel III calculations and assumption and this can be made available as well (Exhibit 9). Please contact your KBW salesperson if you wish to access the excel version of the file which is available with data for all twenty-two companies.

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Exhibit 8: Interactive Model Snapshot — 2014 CCAR

Choose Company and Input Assumptions										
Choose Company: <input type="text" value="C"/>										
Analyst Forecasts										
		Draw for	Analyst	Haircut /	CCAR					
Item		Company	Forecast	Adj. Factor	2014	Input				
Pre-tax, pre-provision Income		C	68,516	40%	41,110					
Reserve Build (Release)		C	-4,555		-4,555					
Calculated Gains / Losses										
		Draw for	CCAR	Haircut /	CCAR					
Item		Company	2013 Result	Adj. Factor	2014	Input				
Realized Losses / Gains on securities (AFS/HTM)		C	4,400	10%	3,960					
Trading and Counterparty Losses		C	15,900	10%	14,310					
Other Losses / Gains		C	2,700	10%	2,430					
Loan Portfolio Loss Rate Company		C	60,759	15%	51,645					
Other User Inputs										
		Draw for	Result							
Item		Company								
Additional Realized Losses / Gains on securities (\$ Mil)		C	0							
Additional Other Losses / Gains (\$ Mil)		C	0							
Additional Trading / Counterparty Losses (\$ Mil)		C	0							
Tax Rate		C	35%							
Memo: Final Calculation Methodology		C	Advanced							
Projected Revenues, Losses under Severely Adverse Scenario										
		4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Revenues	Pre-tax, pre-provision Income for CCAR	3,861	5,168	4,878	4,297	3,941	5,147	4,954	4,549	4,313
	Credit Losses	5,165	7,747	10,329	7,747	5,165	5,165	5,165	2,582	2,582
less:	Reserve Build (Release)	-506	-506	-506	-506	-506	-506	-506	-506	-506
	Provision	4,658	7,241	9,823	7,241	4,658	4,658	4,658	2,076	2,076
Losses	Realized Losses / Gains on securities	440	440	440	440	440	440	440	440	440
	Trading and Counterparty Losses	14,310	0	0	0	0	0	0	0	0
	Other Losses / Gains	270	270	270	270	270	270	270	270	270
Income	Pre-Tax Income	-15,817	-2,782	-5,654	-3,654	-1,427	-221	-414	1,763	1,527
	Tax Expense	-5,536	-974	-1,979	-1,279	-500	-77	-145	617	534
	After-Tax Income	-10,281	-1,808	-3,675	-2,375	-928	-144	-269	1,146	992
Changes in Capital Due to Income and Capital Distributions										
		4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
	After-Tax Income	-10,281	-1,808	-3,675	-2,375	-928	-144	-269	1,146	992
	Less: Total Capital Distributions and Oth	50	80	2,202	1,958	1,993	2,329	2,840	2,573	2,614
	Change in Common Equity	-10,331	-1,889	-5,877	-4,333	-2,921	-2,473	-3,109	-1,428	-1,622
	Memo: \$ Net Repurchase & Dividend	30	30	2,151	1,907	1,943	2,278	2,788	2,522	2,562
	Change in DTA	5,359	797	1,802	1,102	322	-100	-32	-794	-711
RWA Calculation and Capital Calculations										
		4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Est. Basel III	Regulatory Capital (\$ millions)									
	Tier 1 Common Equity	NA	132,424	124,414	118,700	115,225	105,834	102,461	101,650	100,549
	Tier 1 Capital	NA	132,424	124,414	118,700	115,225	105,834	102,461	101,650	100,549
	Total Capital - Advanced	NA	155,117	146,601	140,381	136,400	127,917	124,544	123,733	122,632
	Total Capital - Standardized	NA	168,789	160,240	154,347	150,723	143,769	139,872	139,197	138,217
Est. Basel I	Regulatory Capital Ratios Standardized									
	Tier 1 Common Equity Ratio	NA	10.6%	10.3%	10.0%	9.8%	8.2%	8.2%	8.1%	8.0%
	Tier 1 Capital Ratio	NA	10.6%	10.3%	10.0%	9.8%	8.2%	8.2%	8.1%	8.0%
	Total Capital Ratio	NA	13.5%	13.3%	13.0%	12.8%	11.2%	11.2%	11.1%	10.9%
	Tier 1 Leverage Ratio	NA	7.3%	7.0%	6.6%	6.5%	5.7%	5.7%	5.3%	5.4%
Est. Basel I	Regulatory Capital Ratios Standardized									
	Tier 1 Common Equity Ratio	11.6%	11.5%	11.1%	10.8%	10.4%	9.7%	9.7%	9.0%	9.2%
	Tier 1 Capital Ratio	12.6%	12.3%	11.9%	11.4%	11.2%	10.3%	10.4%	9.7%	9.9%
	Total Risk-Based Capital Ratio	15.6%	15.3%	14.9%	14.5%	14.3%	13.3%	13.4%	12.5%	12.8%
	Basel I Tier 1 Leverage Ratio	7.6%	7.4%	7.2%	6.9%	6.8%	6.2%	6.3%	5.8%	5.9%

Source: Federal Reserve Board of Governors, SNL Financial, Bloomberg, FactSet, and KBW Research.

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Exhibit 9: Basel III Regulatory Capital – Interactive Model

		The Goldman Sachs Group, Inc.
		GS
Tier 1 Common Calculation		3Q13E
Common Equity*		70,416
Subtract:	Sum of Individual Deductions	4,310
Subtract:	AOCI Excluded Due to Opt-Out Election	0
Subtotal:	Tier 1 Common (After Deductions)	66,106
Subtotal:	Sum of Amounts > 10% of Tier 1 Common Limit	6,889
Less:	Total Amount > 10% and 15% Tier 1 Common Limits	8,269
Subtotal:	Tier 1 Common (After Deductions and Limits)	57,837
Total:	Total Tier 1 Common Equity	57,837
Tier 1 Capital Calculation		
	Sum of Tier 1 Capital Additions	7,200
	Sum of Tier 1 Capital Deductions	58
Subtotal:	Tier 1 Capital (After Deductions)	64,979
Total:	Total Tier 1 Capital	64,979
Tier 2 Capital Calculation		
	Sum of Tier 2 Capital Additions	16,714
Less:	Sum of Tier 2 Capital Deductions	58
Total:	Total Tier 2 Capital	16,656
Total:	Total Capital (Tier 1 Capital + Tier 2 Capital)	81,635
Basel III	Total Risk-Weighted Assets - Advanced	592,262
Basel III	Total Risk-Weighted Assets - Standardized	635,570
Est. Basel III Ratios	Tier 1 Common Ratio	9.77%
	Tier 1 Capital Ratio	10.97%
	Total Capital Ratio	13.78%

Source: Federal Reserve Board of Governors, SNL Financial, Bloomberg, FactSet, and KBW Research.

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Key Assumptions

Finally, we outline the key assumptions that we used in the stress test analysis so investors can see where we may be too conservative, or not conservative enough, in our estimates. In Exhibit 10, we show the key variables used in the stress test and how we derived estimates for each bank in our analysis.

Exhibit 10: Key Assumptions Used in KBW's Stress Test Methodology

Returning CCAR Companies	Methodology
Realized Losses and Gains on AFS/HTM Securities	Securities losses based on 2013 CCAR total losses after applying a 10% haircut.
Loan Portfolio Losses	Cumulative loss rates based on 2013 CCAR loss rates with 15% haircut. Loss rates are applied to each bank's 3Q13 loan balances. Haircut reflects general improvement in stress metrics over the previous year.
Trading & Counterparty Losses	Calculated using 2013 CCAR data but applying a 10% haircut to reflect general de-risking of bank's trading books.
Other Losses	10% haircut to 2013 CCAR results.
New CCAR Companies (former CapPR companies)	Methodology
Realized Losses and Gains on AFS/HTM Securities	We calculated the securities loss rate for 2013 CCAR companies based on beginning balances (3Q12). We used the average loss rate of all 2013 companies and apply that to the new CCAR securities book at 3Q13.
Loan Portfolio Losses	Losses based on USB's cumulative loan loss rates from the 2013 CCAR and 15% haircut. Loss rates were then applied to each company's 3Q13 loan balances to calculate cumulative losses.
Trading & Counterparty Losses	\$0. New CCAR banks are not subject to global market shock.
Other Losses	Same loss rate methodology as that used for securities losses but losses calculated as a percentage of total assets.
Universal Assumptions	Methodology
Pre-tax, Pre-provision Net Revenue	Analyst forecast for PPNR in earnings models and adjusted downward by a 40% haircut to account for severely adverse scenario and operational losses.
Provision Expense	Based on cumulative loan losses (from above) and allows for each analyst's forecasted reserve build/release over the 9 quarter period. The amount of reserve build/release is distributed equally over each quarter in the cycle.
Basel I Deductions	Carried over each quarter at the level added/deducted as of 3Q13.

Source: KBW Research.

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APPENDIX

Appendix A-1: Stress Test & Capital Plan Assumptions

Projected Losses, Revenues, and Net Income before Taxes CCAR 2013 and 2014****														
Ticker	Pre-Provision Net Revenue		Loan Portfolio Losses***		Provision***		Realized Losses / Gains on securities (AFS/HTM)^		Trading and Counterparty Losses^^		Other Losses / Gains^^^		Pre-Tax Net Income	
	CCAR 2013	CCAR 2014 **	CCAR 2013	CCAR 2014*	CCAR 2013	CCAR 2014*	CCAR 2013	CCAR 2014*	CCAR 2013	CCAR 2014*	CCAR 2013	CCAR 2014*	CCAR 2013	CCAR 2014*
			15% Haircut				10% Haircut		10% Haircut		10% Haircut			
BAC	24,100	37,421	57,500	54,288	49,700	49,958	500	450	14,100	12,690	12,500	11,250	(51,700)	(36,926)
BBT	7,100	5,211	6,000	5,480	6,400	5,393	100	90	0	0	100	90	500	(362)
BK	6,800	5,714	1,100	1,094	1,100	984	200	180	0	400	0	0	5,500	4,150
C	44,000	41,110	54,600	51,645	49,400	47,090	4,400	3,960	15,900	14,310	2,700	2,430	(28,400)	(26,680)
CMA	-	1,164	-	3,047	-	3,039	-	173	-	0	-	84	-	(2,133)
FITB	4,900	3,458	5,400	4,741	5,100	4,444	100	90	0	0	0	0	(300)	(1,076)
GS	14,400	15,475	2,100	6,055	2,600	6,055	200	180	24,900	22,410	7,100	6,390	(20,400)	(19,560)
HBAN	-	1,408	-	2,367	-	2,319	-	151	-	0	-	74	-	(1,137)
JPM	45,000	50,483	54,000	48,340	51,300	43,116	900	810	23,500	21,150	1,600	1,440	(32,300)	(16,033)
KEY	2,500	1,915	3,900	3,513	4,300	3,488	0	0	0	0	600	540	(2,400)	(2,113)
MTB	-	3,317	-	3,830	-	3,858	-	225	-	0	-	71	-	(838)
NTRS	-	1,842	-	1,314	-	1,234	-	256	-	0	-	258	-	93
PNC	9,800	8,171	10,000	9,370	9,800	8,930	800	720	0	0	400	360	(1,300)	(1,838)
RF	3,100	2,717	5,500	4,846	5,200	4,453	100	90	0	0	0	0	(2,200)	(1,827)
STI	4,600	4,012	7,400	6,860	7,900	6,693	0	0	0	0	700	630	(4,000)	(3,311)
STT	3,000	4,578	300	215	400	215	400	360	0	250	700	630	1,500	3,123
USB	21,200	13,378	15,100	13,518	17,200	13,256	200	180	0	0	300	270	3,600	(328)
WFC	45,900	51,661	53,800	49,479	58,800	46,460	3,900	3,510	6,900	6,210	2,000	1,800	(25,700)	(6,320)
ZION	-	994	-	2,435	-	2,341	-	147	-	0	-	37	-	(1,531)
Data for Cards Companies in 2014 CCAR reflects the 5 quarter period 4Q13 - 4Q14														
AXP****	15,400	8,497	10,600	5,544	14,200	6,736	0	0	0	0	400	200	800	1,561
COF****	18,700	7,222	23,500	14,652	26,400	14,713	300	150	0	0	0	0	(8,000)	(7,641)
DFS****	-	3,988	-	5,570	-	5,647	-	112	-	0	-	26	-	(1,797)

*KBW input to stress scenario.

**CCAR 2014 PPNR estimates based on analyst forecast for PPNR adjusted downward by a 40% haircut to account for severely adverse scenario and operational losses.

***To calculate loan losses, we apply a 15% haircut to loan portfolio loss rates from DFAST 2013 and apply those loss rates to 3Q13 loan balances. If a company participated in 2013 CapPR, portfolio loss rates for USB are used and haircut 15%. Provision expense based on loan losses and analyst's forecast for reserve build / release.

****2014 CCAR data for AXP, COF, and DFS data represent the 5 quarter period 4Q13-4Q14. For all other companies, 2014 CCAR data represents the entire 9 quarter period 4Q13-4Q15. Most companies reach trough capital ratios in calendar 2015.

^Realized losses on securities based on 2013 CCAR losses and haircut 10%. If company participated in 2013 CapPR we use an average loss rate for 2013 CCAR participants (2013 CCAR losses as a % of total securities), haircut that loss rate by 10% and apply the to CapPR 2013 companies 3Q13 securities balances.

^^Trading and counterparty losses based on \$ value of losses in 2013 CCAR, adjusted downward by a 10% haircut. We add losses for STT and BK based on their participation in the counterparty default scenario this year.

^^^Other losses based on 2013 CCAR losses and haircut 10%. If company participated in 2013 CapPR we use an average loss rate for 2013 CCAR participants (2013 CCAR losses as a % of total assets), haircut that loss rate by 10% and apply the to CapPR 2013 companies 3Q13 total assets.

Source: Federal Reserve Board of Governors, company reports, SNL Financial, and KBW Research.



Appendix A-1: Stress Test & Capital Plan Assumptions (Continued)

Other Assumptions for CCAR 2014****				
	PPNR**		RWA Inflation Factor - Fully Loaded vs. Basel I/II.5 RWA^^^^	
AXP****	14,162	8,497	1%	1%
BAC	62,369	37,421	3%	13%
BBT	8,685	5,211	-	5%
BK	9,523	5,714	15%	27%
C	68,516	41,110	8%	8%
CMA	1,939	1,164	-	3%
COF****	12,036	7,222	40%	5%
DFS****	6,647	3,988	-	3%
FITB	5,763	3,458	-	5%
GS	25,792	15,475	36%	46%
HBAN	2,346	1,408	-	3%
JPM	84,138	50,483	14%	9%
KEY	3,192	1,915	-	4%
MTB	5,528	3,317	-	5%
NTRS	3,069	1,842	-8%	9%
PNC	13,619	8,171	9%	4%
RF	4,528	2,717	-	3%
STI	6,687	4,012	-	3%
STT	7,631	4,578	26%	40%
USB	22,296	13,378	1%	5%
WFC	86,101	51,661	18%	12%
ZION	1,657	994	-	-5%

*KBW input to stress scenario.

**CCAR 2014 PPNR estimates based on analyst forecast for PPNR adjusted downward by a 40% haircut to account for severely adverse scenario and operational losses.

***To calculate loan losses, we apply a 15% haircut to loan portfolio loss rates from DFAST 2013 and apply those loss rates to 3Q13 loan balances. If a company participated in 2013 CapPR, portfolio loss rates for USB are used and haircut 15%. Provision expense based on loan losses and analyst's forecast for reserve build / release.

****2014 CCAR data for AXP, COF, and DFS data represent the 5 quarter period 4Q13-4Q14. For all other companies, 2014 CCAR data represents the entire 9 quarter period 4Q13-4Q15. Most companies reach trough capital ratios in calendar 2015.

^Realized losses on securities based on 2013 CCAR losses and haircut 10%. If company participated in 2013 CapPR we use an average loss rate for 2013 CCAR participants (2013 CCAR losses as a % of total securities), haircut that loss rate by 10% and apply the to CapPR 2013 companies 3Q13 securities balances.

^^Trading and counterparty losses based on \$ value of losses in 2013 CCAR, adjusted downward by a 10% haircut. We add losses for STT and BK based on their participation in the counterparty default scenario this year.

^^^Other losses based on 2013 CCAR losses and haircut 10%. If company participated in 2013 CapPR we use an average loss rate for 2013 CCAR participants (2013 CCAR losses as a % of total assets), haircut that loss rate by 10% and apply the to CapPR 2013 companies 3Q13 total assets.

^^^^ RWA inflation factors estimated by analysts when not disclosed by companies.

Source: Federal Reserve Board of Governors, SNL Financial, and KBW Research.

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Appendix A-2: Projected Losses & PPNR by Company

Projected Losses, Revenues, and Net Income before Taxes 4Q13-4Q15 (\$ mil)*****							
Ticker	Revenues	Minus Sum of Provisions and Losses				Equals	Memo: Est. Loan Losses**
	Pre-tax, pre-provision Income for CCAR*	Provision**	Realized Losses / Gains on securities***	Trading and Counterparty Losses^	Other Losses / Gains^^	Pre-Tax Income	
BAC	37,421	49,958	450	12,690	11,250	(36,926)	(54,288)
BBT	5,211	5,393	90	0	90	(362)	(5,480)
BK	5,714	984	180	400	0	4,150	(1,094)
C	41,110	47,090	3,960	14,310	2,430	(26,680)	(51,645)
CMA	1,164	3,039	173	0	84	(2,133)	(3,047)
FITB	3,458	4,444	90	0	0	(1,076)	(4,741)
GS	15,475	6,055	180	22,410	6,390	(19,560)	(6,055)
HBAN	1,408	2,319	151	0	74	(1,137)	(2,367)
JPM	50,483	43,116	810	21,150	1,440	(16,033)	(48,340)
KEY	1,915	3,488	0	0	540	(2,113)	(3,513)
MTB	3,317	3,858	225	0	71	(838)	(3,830)
NTRS	1,842	1,234	256	0	258	93	(1,314)
PNC	8,171	8,930	720	0	360	(1,838)	(9,370)
RF	2,717	4,453	90	0	0	(1,827)	(4,846)
STI	4,012	6,693	0	0	630	(3,311)	(6,860)
STT	4,578	215	360	250	630	3,123	(215)
USB	13,378	13,256	180	0	270	(328)	(13,518)
WFC	51,661	46,460	3,510	6,210	1,800	(6,320)	(49,479)
ZION	994	2,341	147	0	37	(1,531)	(2,435)
Data for Cards Companies in 2014 CCAR reflects the 5 quarter period 4Q13 - 4Q14							
AXP ^{^^^}	8,497	6,736	0	0	200	1,561	(5,544)
COF ^{^^^}	7,222	14,713	150	0	0	(7,641)	(14,652)
DFS ^{^^^}	3,988	5,647	112	0	26	(1,797)	(5,570)

*CCAR 2014 PPNR estimates based on analyst forecast for PPNR adjusted downward by a 40% haircut to account for severely adverse scenario and operational losses.

**To calculate loan losses, we apply a 15% haircut to loan portfolio loss rates from DFAST 2013 and apply those loss rates to 3Q13 loan balances. If a company participated in 2013 CapPR, portfolio loss rates for USB are used and haircut 15%. Provision expense based on loan losses and analyst's forecast for reserve build / release.

***Realized losses on securities based on 2013 CCAR losses and haircut 10%. If company participated in 2013 CapPR we use an average loss rate for 2013 CCAR participants (2013 CCAR losses as a % of total securities), haircut that loss rate by 10% and apply the to CapPR 2013 companies 3Q13 securities balances.

^Trading and counterparty losses based on \$ value of losses in 2013 CCAR, adjusted downward by a 10% haircut. We add losses for STT and BK based on their participation in the counterparty default scenario this year.

^^Other losses based on 2013 CCAR losses and haircut 10%. If company participated in 2013 CapPR we use an average loss rate for 2013 CCAR participants (2013 CCAR losses as a % of total assets), haircut that loss rate by 10% and apply the to CapPR 2013 companies 3Q13 total assets.

^^^AXP, COF, and DFS data represent the period 4Q13-4Q14. All other companies are evaluated over the 9 quarter planning horizon from 4Q13 to 4Q15. Most companies reach trough capital ratios in calendar 2015.

Source: Federal Reserve Board of Governors, SNL Financial, and KBW Research.

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Companies Mentioned in This Report

- American Express Company (AXP: \$84.54, Outperform)
- Bank of America Corp. (BAC: \$15.43, Market Perform)
- BB&T Corporation (BBT: \$34.49, Market Perform)
- Bank of New York Mellon (BK: \$33.13, Market Perform)
- Citigroup (C: \$51.06, Outperform)
- Comerica Inc (CMA: \$44.96, Underperform)
- Capital One Financial Corp (COF: \$71.94, Outperform)
- Discover Financial Services (DFS: \$51.92, Outperform)
- Fifth Third Bancorp (FITB: \$19.82, Market Perform)
- Goldman Sachs Group, Inc. (GS: \$165.56, Market Perform)
- Huntington Bancshares Inc (HBAN: \$9.01, Market Perform)
- JPMorgan Chase & Co (JPM: \$55.82, Outperform)
- KeyCorp (KEY: \$12.74, Market Perform)
- M&T Bank Corporation (MTB: \$112.73, Market Perform)
- Northern Trust Corp (NTRS: \$57.75, Market Perform)
- PNC Financial Services Group (PNC: \$75.02, Market Perform)
- Regions Financial Corporation (RF: \$9.56, Market Perform)
- SunTrust Banks Inc (STI: \$35.03, Market Perform)
- State Street Corporation (STT: \$70.16, Market Perform)
- U.S. Bancorp (USB: \$38.61, Outperform)
- Wells Fargo & Company (WFC: \$43.25, Market Perform)
- Zions Bancorporation (ZION: \$29.16, Market Perform)

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Rating	Count	Percent	*IB Serv./Past 12 Mos.	
			Count	Percent
Outperform [BUY]	180	31.52	78	43.33
Market Perform [HOLD]	338	59.19	92	27.22
Underperform [SELL]	38	6.65	8	21.05
Restricted [RES]	0	0.00	0	0.00
Suspended [SP]	15	2.63	4	26.67
Covered -Not Rated [CNR]	2	0.35	0	0.00

* KBW maintains separate research departments; however, the above chart, "Distribution of Ratings/IB Services," reflects combined information related to the distribution of research ratings and the receipt of investment banking fees globally.

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