

Overview of Capital Requirements in U.S. Basel III Proposals

Davis Polk Summary of U.S. Basel III Proposals

Summaries of the U.S. Basel III proposals and other bank capital related rulemakings are available at:

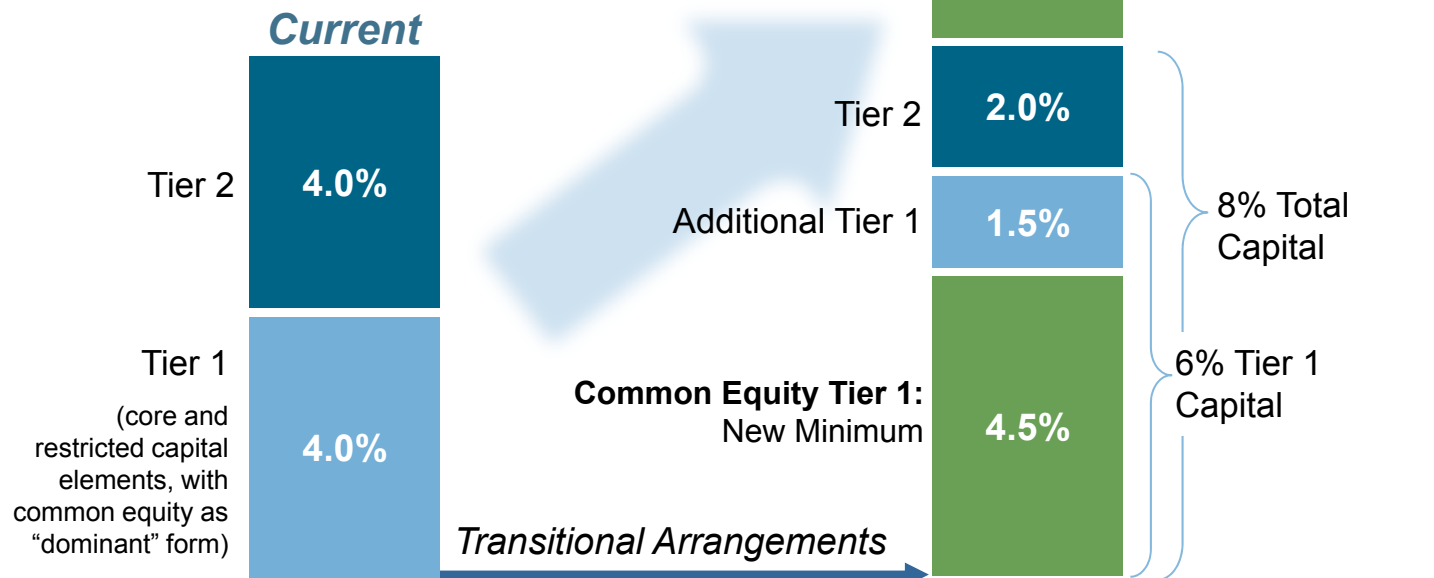
www.USBasel3.com

Leverage Capital Requirements

U.S. Leverage Ratio
(Tier 1 capital to average total consolidated assets must be at least **4%**). Applies to all U.S. Banking Organizations.

Basel III Supplementary Leverage Ratio (Tier 1 capital to “total leverage exposure” must be at least **3%**). Applies only to the largest and most internationally active U.S. Banking Organizations.

Minimum Risk-Based Capital Composition:



Key Proposed Effective Dates and Transitional Arrangements in U.S. Basel III Proposals*

All dates refer to January 1, except where noted.

Phase-in period for minimum risk-based capital ratios				
	Current	2013	2014	2015
Common Equity Tier 1	N/A	3.5%	4.0%	4.5%
Tier 1 capital	4.0%	4.5%	5.5%	6.0%
Total capital	8.0%	8.0%	8.0%	8.0%

January 1, 2015:
Effective Date of Standardized Approach NPR and Revised Prompt Corrective Action Framework

July 21, 2015:
SR 01-1 BHCs become subject to U.S. capital rules

Phase-in period for capital conservation buffer				
	2016	2017	2018	2019
Buffer (Common Equity Tier 1)	0.625%	1.25%	1.875%	2.5%
Buffer + Minimum Common Equity Tier 1	5.125%	5.75%	6.375%	7.0%
Buffer + Minimum Total Capital	8.625%	9.25%	9.875%	10.5%

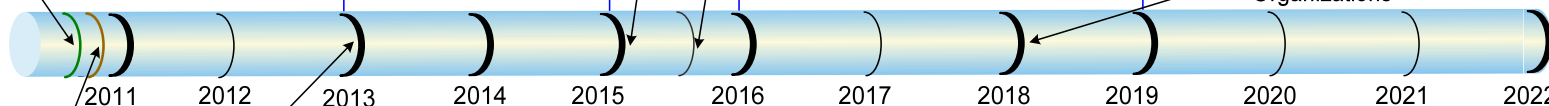
May 19, 2010: Phase-out eligibility cut-off date for certain U.S. Banking Organizations

Sept. 12, 2010: Phase-out eligibility cut-off date for certain U.S. Banking Organizations

January 1, 2013: Effective Date of Market Risk Final Rule

Capital instruments issued by Advanced Approaches Banking Organizations after January 1, 2013 must include **loss-absorbency disclosure**.

January 1, 2018: Basel III Leverage Ratio for Advanced Approaches Banking Organizations



Phase-out of non-qualifying instruments issued before May 19, 2010 by ≥ \$15 billion depository institution holding companies				
	2013	2014	2015	2016
% included in Additional Tier 1 or Tier 2 capital	75%	50%	25%	0%

General phase-in period for new regulatory deductions and adjustments regime						
	2013	2014	2015	2016	2017	2018
% included in Additional Tier 1 or Tier 2 capital	0%	20%	40%	60%	80%	100%

Permanent grandfathering of non-qualifying instruments issued under the Small Business Jobs Act or, prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 (e.g., TARP preferred issuances).

Phase-out of non-qualifying instruments issued before September 12, 2010 by depository institutions and < \$15 billion depository institution holding companies										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
% included in Additional Tier 1 or Tier 2 capital	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%

* In November 2012, the U.S. banking agencies announced that their U.S. Basel III proposals would **not** become effective on January 1, 2013. It remains to be seen what effect the delay in U.S. Basel III implementation would have on the effective dates and transitional arrangements originally proposed by the U.S. banking agencies.