Visuals of 2017 CCAR and DFAST Results

This document includes visuals of the Federal Reserve's 2017 Comprehensive Capital Analysis and Review ("**CCAR**") results as well as the supervisory Dodd-Frank Act stress test ("**DFAST**") results for 34 U.S. bank holding companies with $50 billion or more in total consolidated assets ("**Large BHCs**"), including eight Large BHCs that are subsidiaries of foreign banking organizations.

Background on DFAST: Pursuant to its DFAST regulations, the Federal Reserve conducts annual supervisory stress tests to assess the potential impact of various hypothetical economic scenarios on the consolidated earnings, losses and regulatory capital of each Large BHC over a nine-quarter planning horizon. As part of the supervisory DFAST, the Federal Reserve projects each Large BHC's balance sheet, net income, and resulting post-stress capital levels, and regulatory capital ratios under three scenarios (baseline, adverse and severely adverse) using data reported to the Federal Reserve by each of the Large BHCs as of December 31 of the previous year.

The DFAST regulations also require Large BHCs as well as U.S. banking organizations with > $10 billion and < $50 billion in total consolidated assets ("**mid-size banking organizations**") to conduct company-run DFASTs. Large BHCs must conduct <u>two</u> company-run DFASTs each year. Mid-size banking organizations are required to conduct <u>one</u> company-run DFAST each year.

Background on CCAR: CCAR is an annual capital planning exercise conducted by the Federal Reserve that, like DFAST, involves hypothetical stressed economic scenarios over a nine-quarter planning horizon. Under CCAR, the Federal Reserve assesses for each Large BHC (i) whether it has sufficient capital to continue operations over a nine-quarter planning horizon, taking into account certain hypothetical economic and financial stress conditions and (ii) whether it has implemented robust, forward-looking capital planning processes that account for the company's risks and are supported by the Large BHCs' risk measurement and management practices. As part of CCAR, the Federal Reserve quantitatively evaluates each Large BHC's plans to make capital distributions, such as dividend payments, stock repurchases or planned acquisitions. In past CCAR cycles, the Federal Reserve also subjected each Large BHC to a qualitative assessment with the possibility of a qualitative objection to its capital plan. Beginning with the 2017 CCAR cycle, only the largest BHCs (referred to as Large and Complex BHCs) are subject to the possibility of a qualitative objection; in 2017, 13 of the 34 Large BHCs are Large and Complex BHCs subject to the qualitative assessment. For other Large BHCs (Large and Noncomplex BHCs), the Federal Reserve will assess the qualitative aspects of their capital planning processes as part of its normal supervisory process, without the possibility of a qualitative objection, through a targeted **Horizontal Capital Review**.

Differences Between Supervisory DFAST and CCAR Post-Stress Capital Analysis: While closely related, there are some important differences between the Federal Reserve's supervisory DFAST and the CCAR post-stress capital analysis. While the supervisory DFAST and CCAR quantitative assessments incorporate the same projections of pre-tax net income, the primary difference is the capital action assumptions that are combined with these projections to estimate a Large BHC's post-stress capital levels and ratios.

To project post-stress capital ratios for the supervisory DFAST, the Federal Reserve uses a standardized set of capital action assumptions that are specified in its DFAST regulations. Common stock dividend payments are generally assumed to continue at the same level as the previous year. Scheduled dividend, interest, or principal payments on any other capital instrument eligible for inclusion in the numerator of a regulatory capital ratio are assumed to be paid. The No repurchases of common stock are assumed. The capital action assumptions do not include the issuance of any new common stock, preferred stock, or other instruments that would be included in regulatory capital, except for common stock issuance associated with expensed employee compensation or in connection with a planned merger or acquisition.

In contrast, for the CCAR post-stress capital analysis, the Federal Reserve uses a Large BHC's planned capital actions, and assesses whether the Large BHC would be capable of meeting supervisory expectations for minimum capital ratios even if stressful conditions emerged and the Large BHC did not reduce planned capital distributions.

As a result, post-stress capital ratios projected for the supervisory DFAST may differ significantly from those for the CCAR post-stress capital analysis.

Projections of Capital Ratios: Both CCAR and DFAST rely on projections of each participating BHC's balance sheet, risk-weighted assets ("**RWAs**"), net income, and resulting regulatory capital ratios, all of which are projected for each quarter of the nine-quarter planning horizon in accordance with the regulatory capital requirements that will be effective for the company during that quarter. Accordingly, each Large BHC's stressed capital projections reflect the U.S. Basel III capital rules. Because the Federal Reserve has indefinitely delayed use of the advanced approaches risk-based capital framework for DFAST and CCAR, the Basel III-based RWAs for the projections are based on the standardized approach ("**SA**") for all BHCs (even advanced approaches BHCs).

	Periods Applicable	Required Minimum Ratio	Numerator (Capital) Methodology	Denominator (RWA) Methodology
Common Equity Tier 1 risk-based capital ratio ("**CET1 RBC ratio**")	2017:Q1 to 2019:Q1	4.5%	Basel III	Basel III SA
Tier 1 risk-based capital ratio ("**Tier 1 RBC ratio**")		6%	Basel III	Basel III SA
Total risk-based capital ratio ("**Total RBC ratio**")		8%	Basel III	Basel III SA
Tier 1 leverage ratio		4%	Basel III	Avg. Assets
Supplementary Leverage Ratio ("**SLR**")	2018:Q1 to 2019:Q1	3%	Basel III (Tier 1 capital)	Total Leverage Exposure

Changes Between 2016 and 2017 CCAR and DFAST: The 2017 CCAR and DFAST exercises differ from the 2016 exercises in three notable ways. First, the Federal Reserve has, for the first time, also analyzed the supplementary leverage ratio (SLR) for BHCs with $250 billion or more in total consolidated assets or $10 billion or more in foreign exposures (advanced approaches BHCs), for balance sheet dates in the planning horizon on or after the first quarter of 2018, when the SLR requirement will go into effect for these firms. Second, one additional Large BHC, CIT Group, participated in the 2017 exercises. Third, as discussed above, only 13 Large and Complex BHCs were subject to the possibility of a qualitative objection.

Quantitative and Qualitative Results: All Large BHCs met the quantitative minimum capital requirements under the 2017 CCAR and DFAST exercise. For the 2017 CCAR exercise, the Federal Reserve did not object to the capital plans and planned capital distributions of any of the 34 Large BHCs. The Federal Reserve issued a conditional non-objection to the capital plan of Capital One, a Large and Complex BHC, on qualitative grounds, requiring the firm to address weaknesses in its capital planning process and resubmit a capital plan by December 2017. The Federal Reserve stated that the bases for imposing this condition on Capital One's non-objection were that the firm's capital plan did not appropriately take into account the potential impact of the risks in one of its most material businesses and that the firm's internal control functions, including independent risk management, did not identify these material weaknesses in the firm's capital planning practices. As in previous years, the Federal Reserve provided each Large BHC with an opportunity to make a downward adjustment to its original planned capital distributions after receiving the Federal Reserve's preliminary estimates of the BHC's stressed capital ratios. Two BHCs—American Express and Capital One—took advantage of this opportunity to adjust their planned capital actions in the 2017 CCAR exercise.

Future Changes to CCAR and DFAST: The U.S. Treasury's recent **report on potential changes to the financial regulatory infrastructure** suggested changes to the scope of applicability of CCAR and DFAST; the supervisory models used in CCAR and DFAST; the assumptions used in CCAR; and the procedures related to stress testing and capital planning, including procedural changes to enhance the transparency of the Federal Reserve's development of stress scenarios and supervisory models.

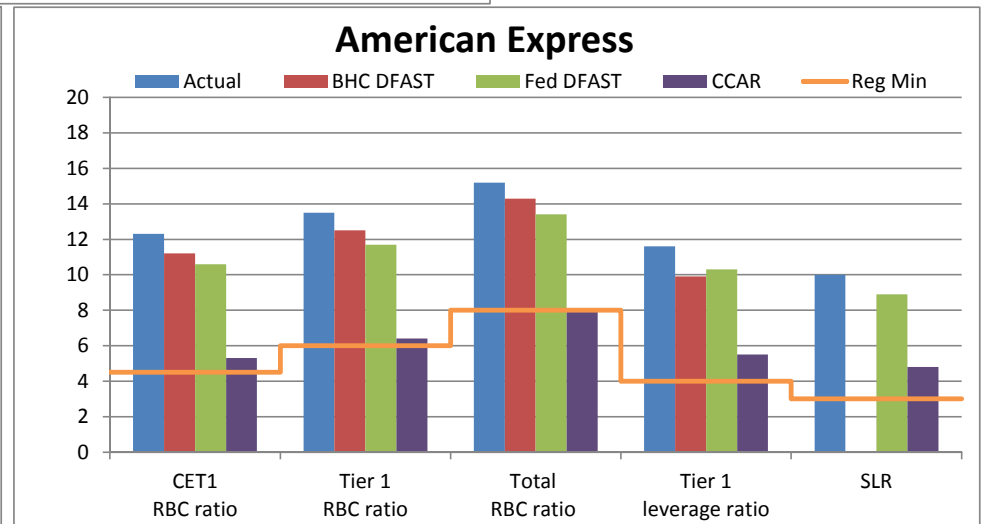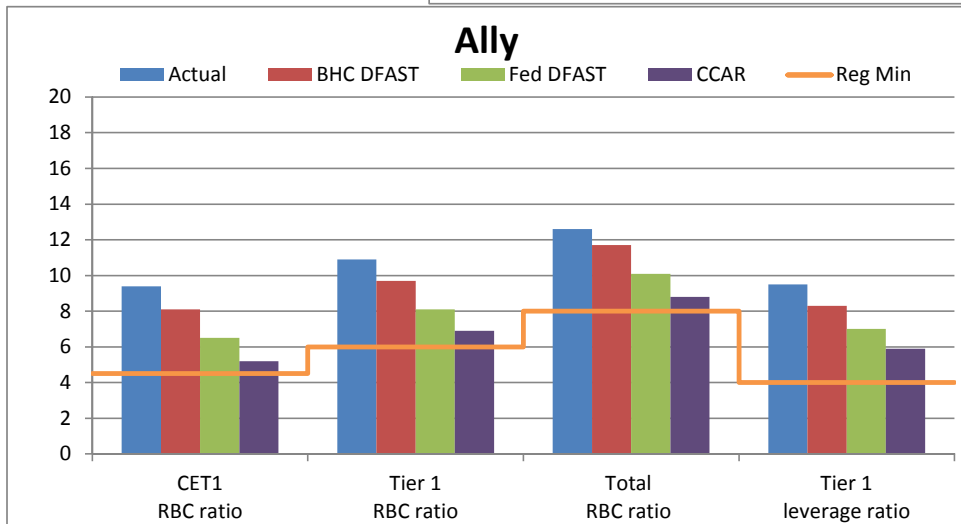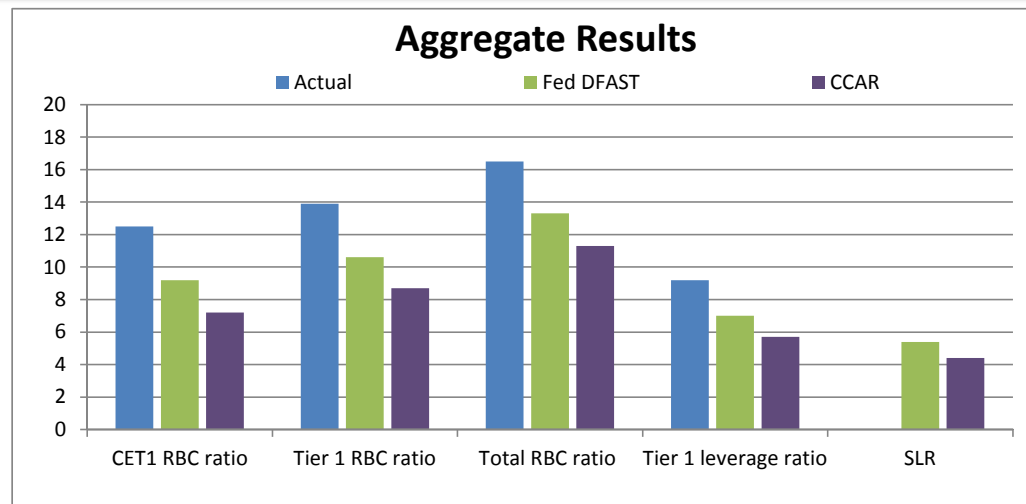# Visuals of 2017 CCAR and DFAST Results

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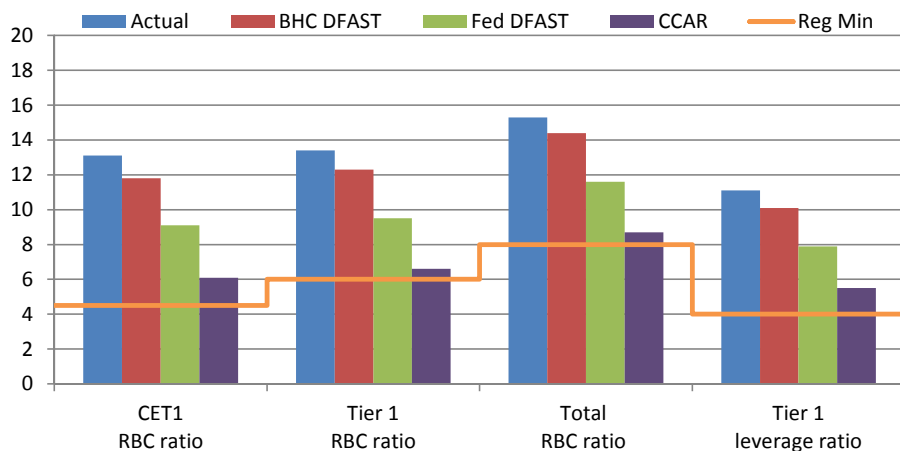
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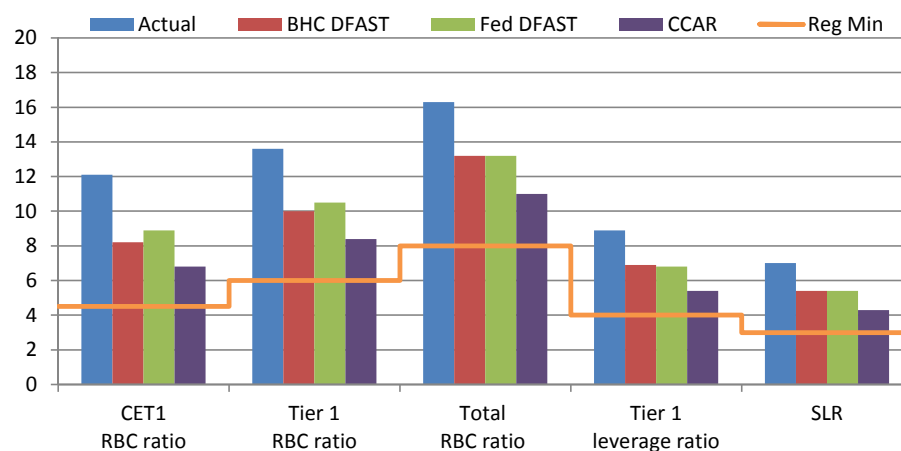
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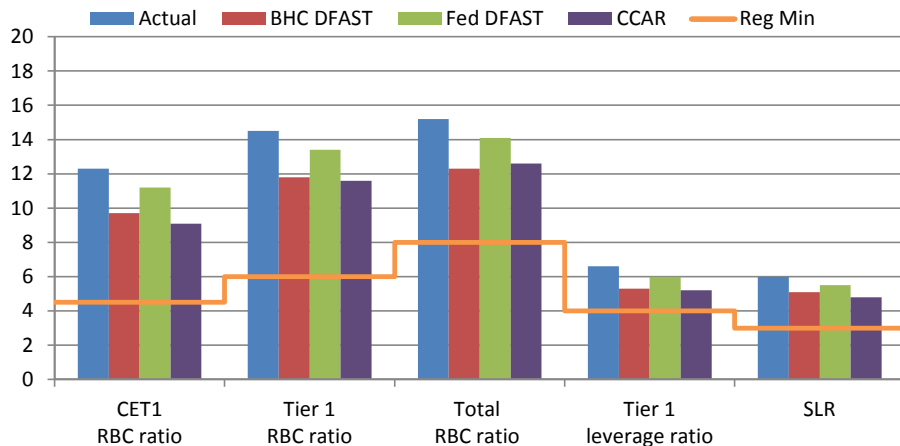

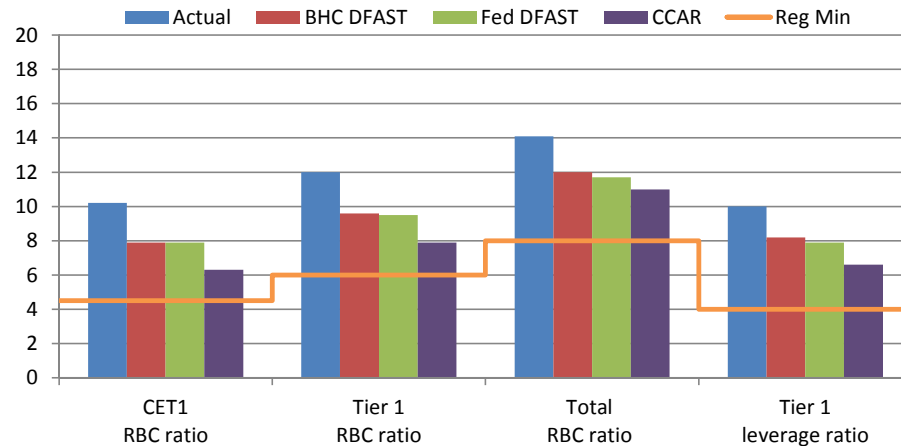Aggregate Results

Ally

American Express
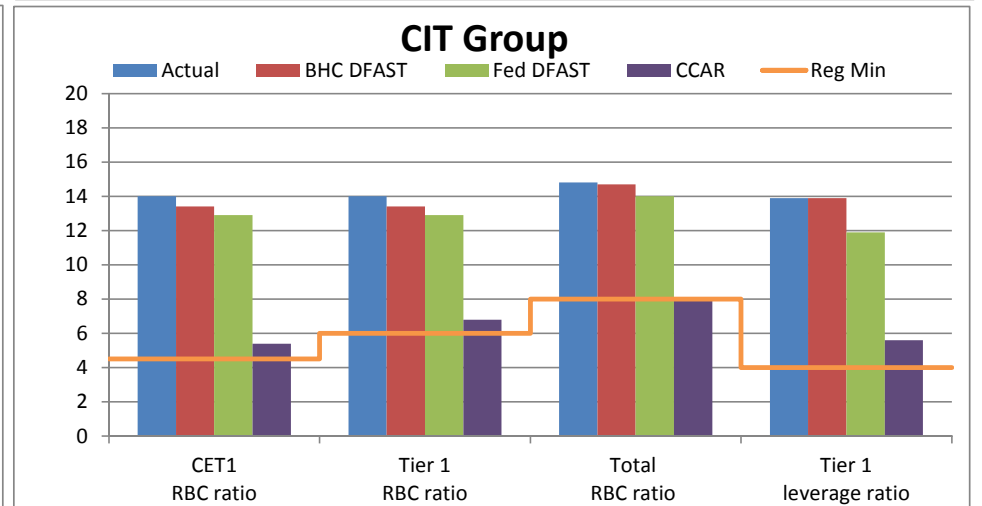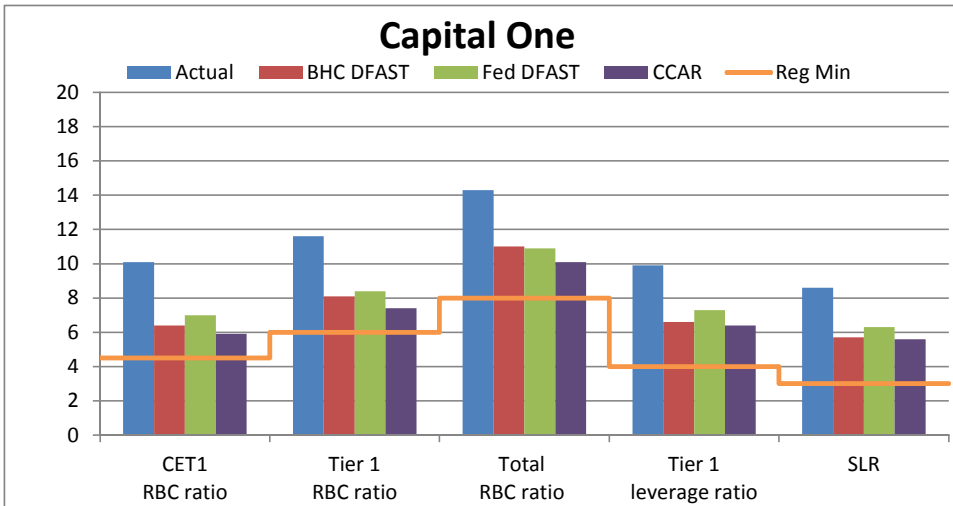
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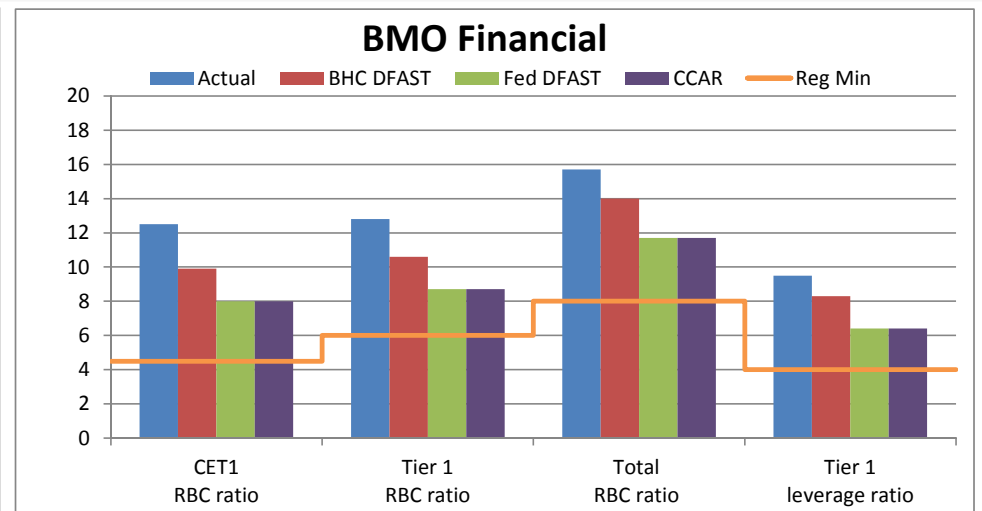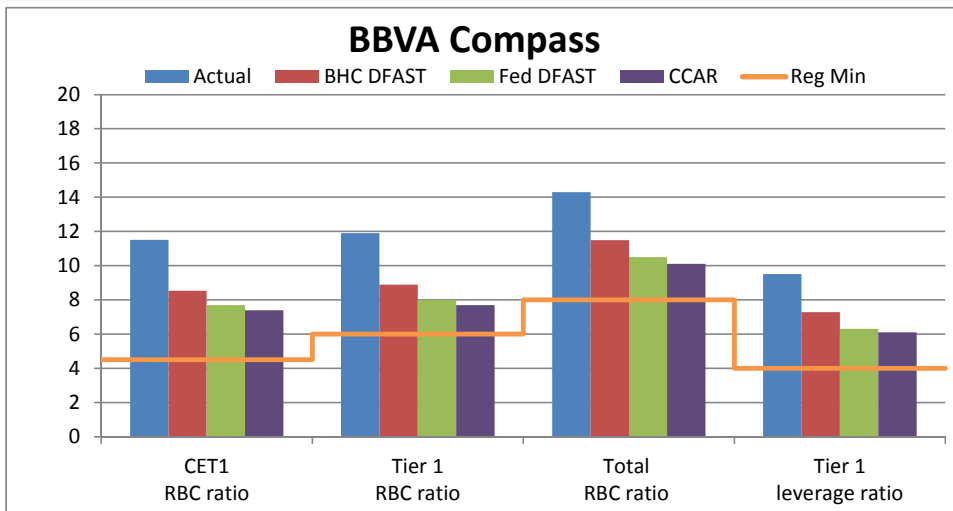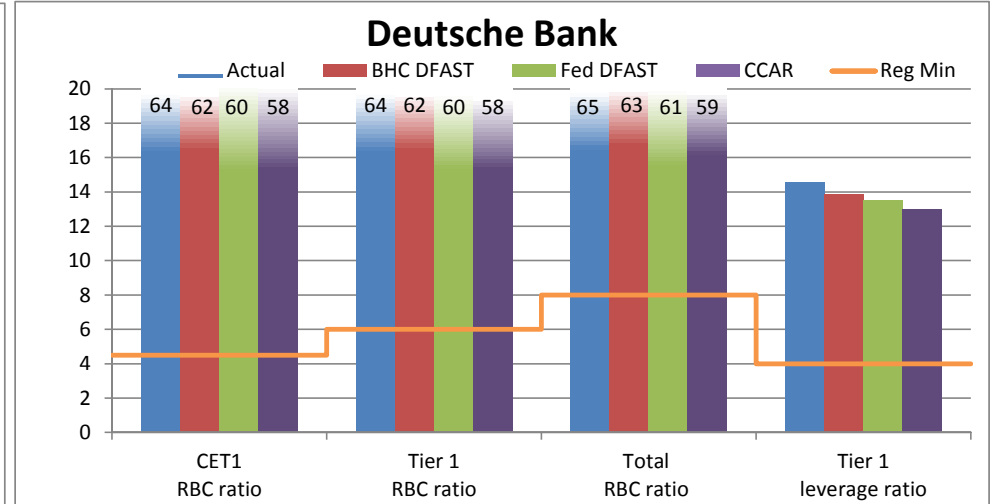
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BBVA Compass

BMO Financial

Capital One

CIT Group
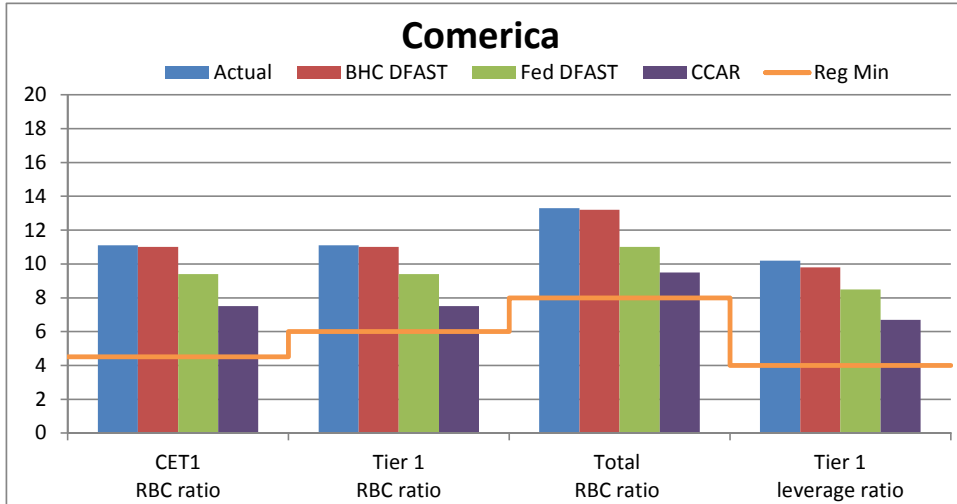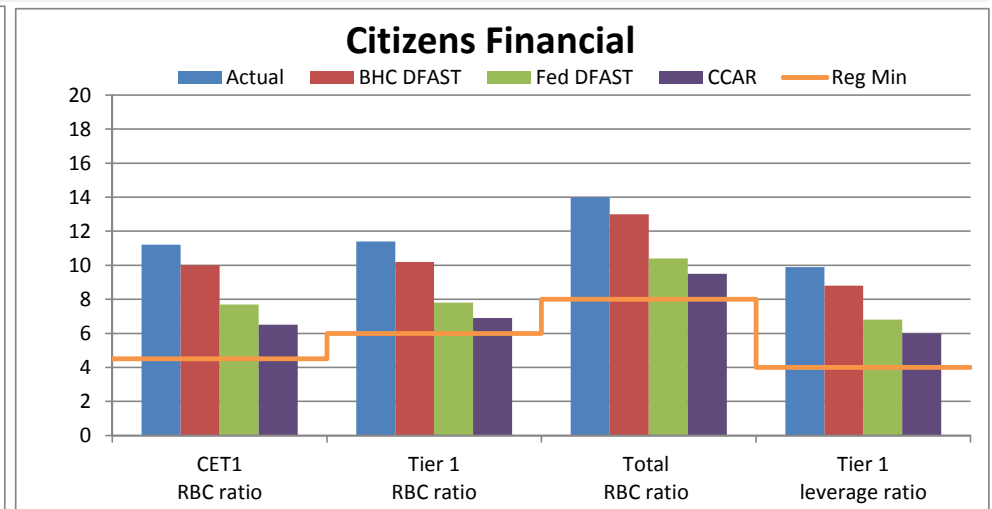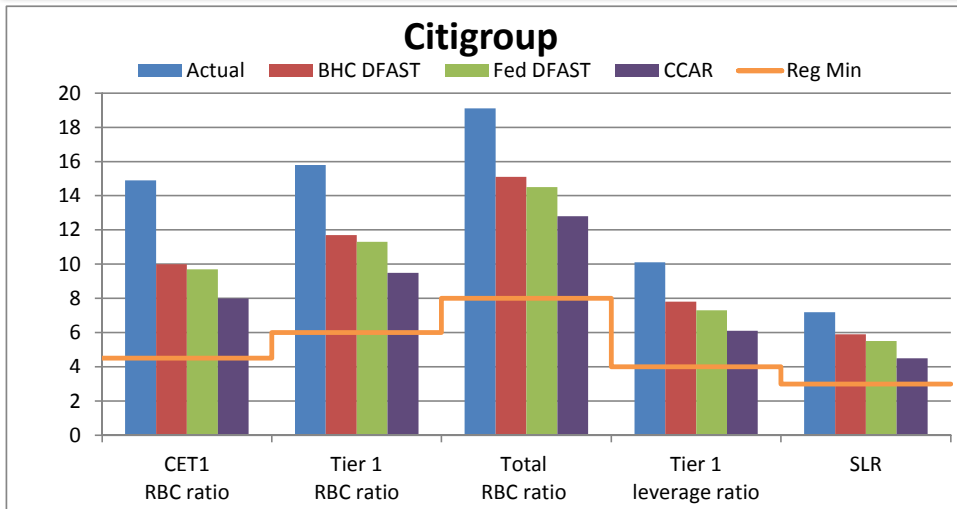
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Citigroup

Citizens Financial

Comerica

Deutsche Bank
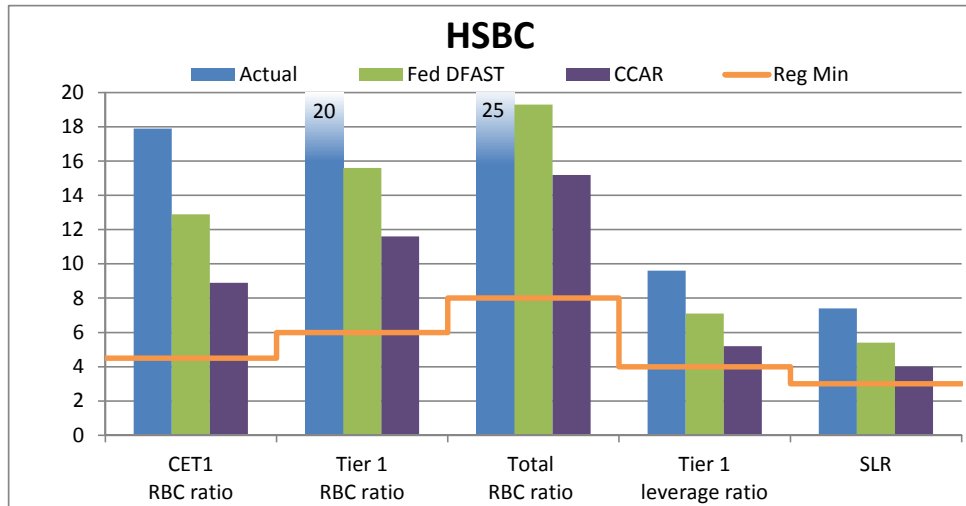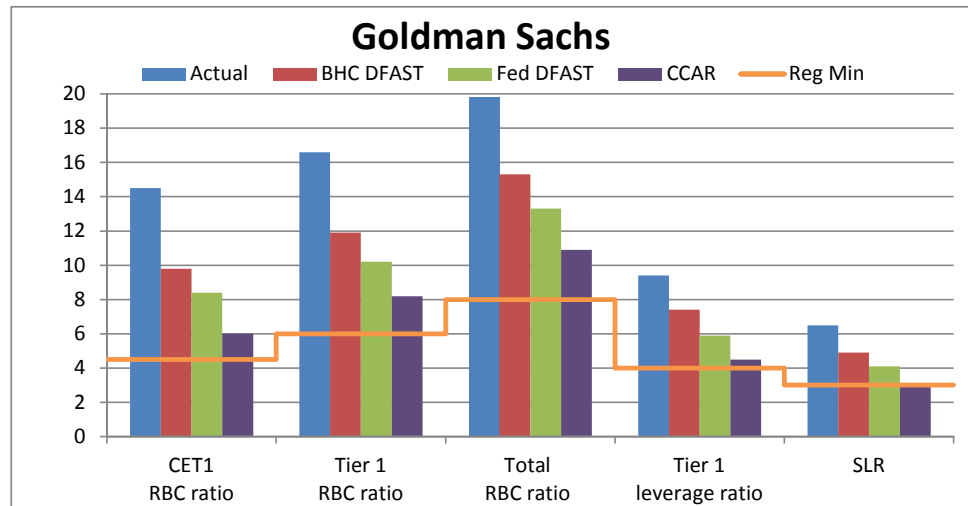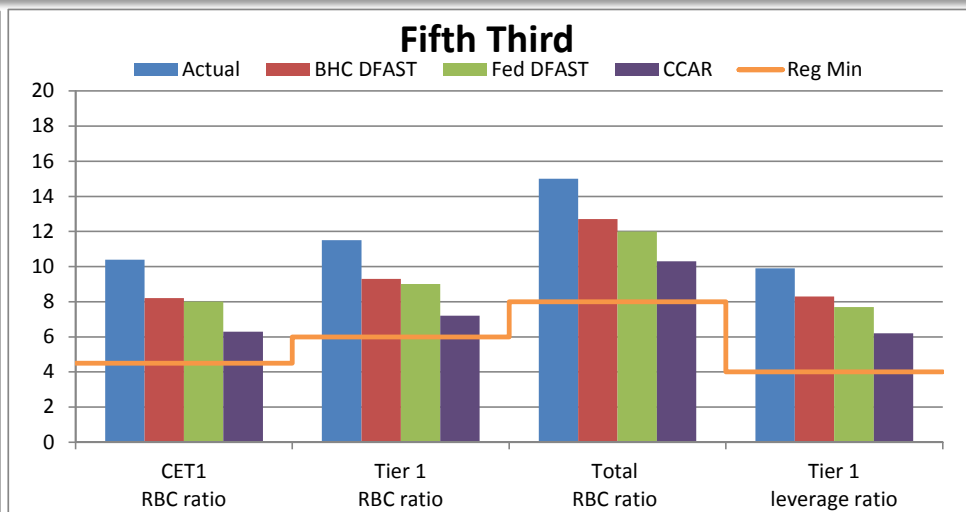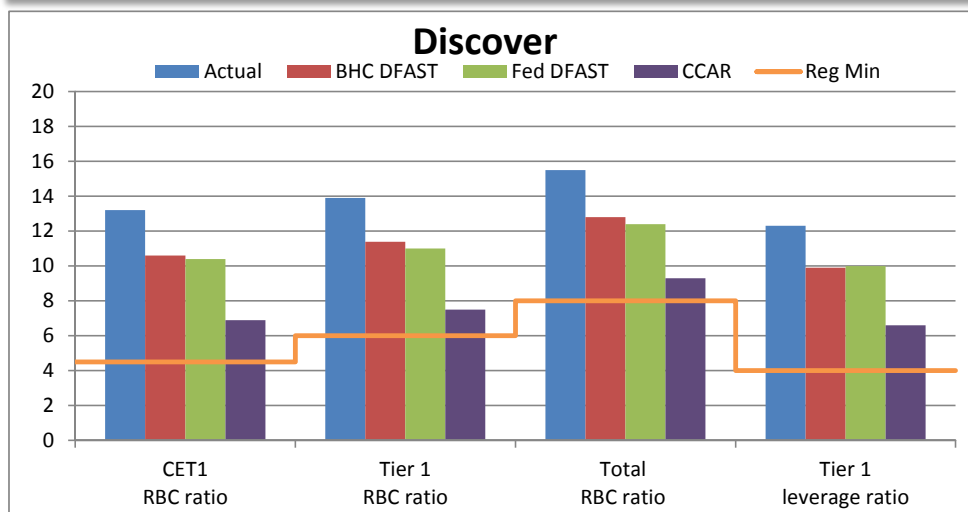
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Discover

Fifth Third

Goldman Sachs

HSBC

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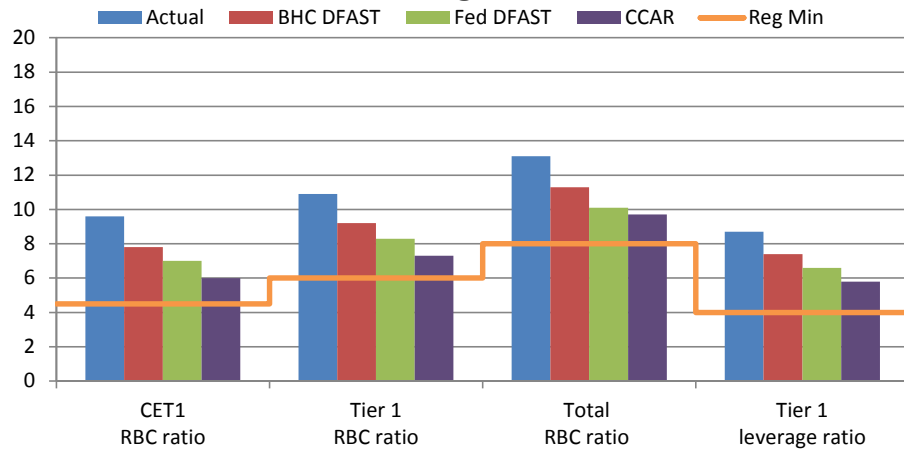
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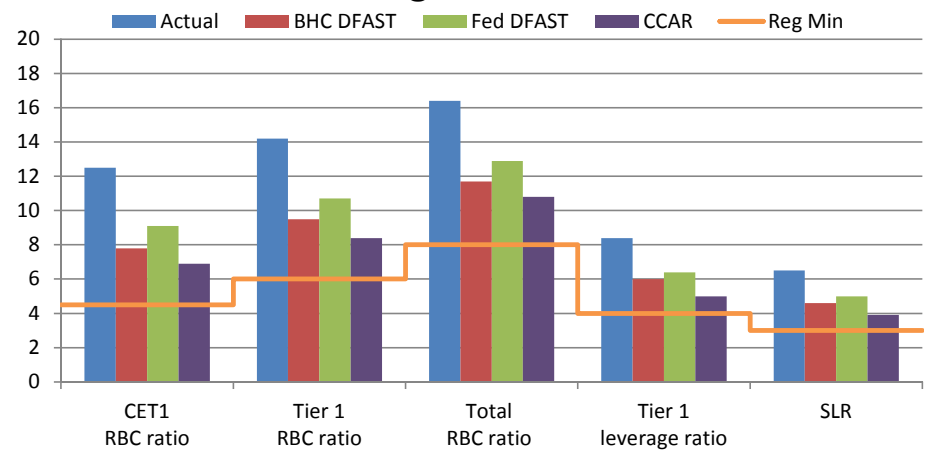
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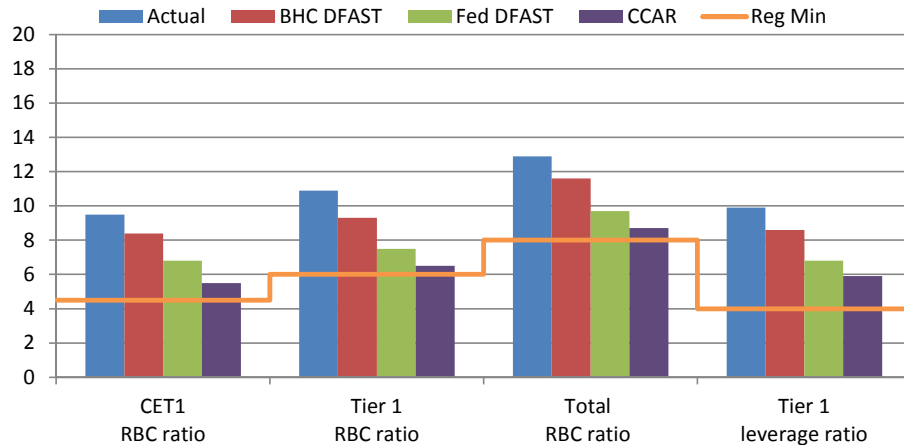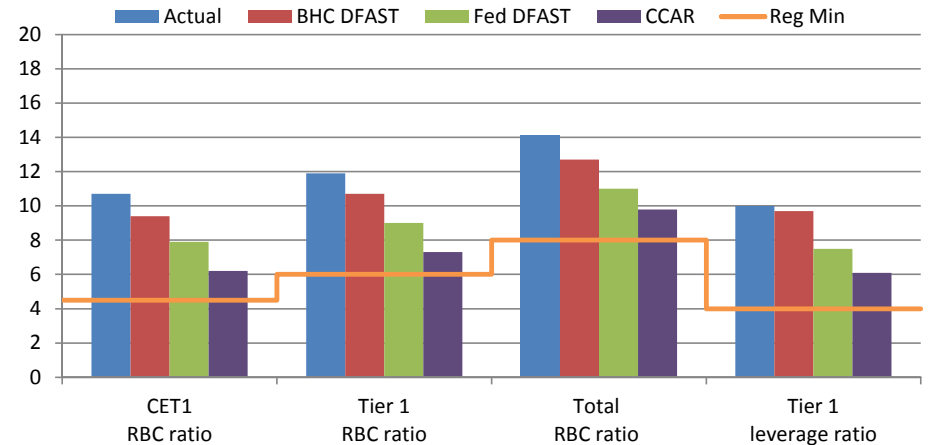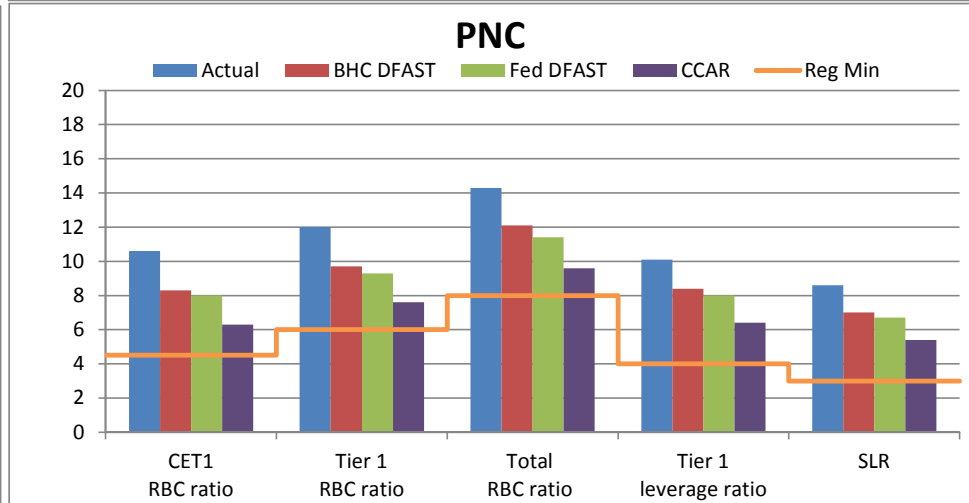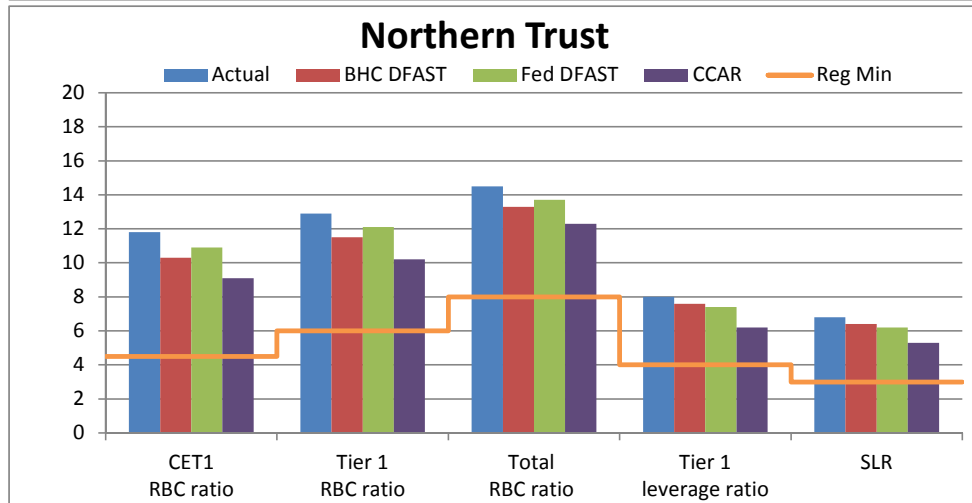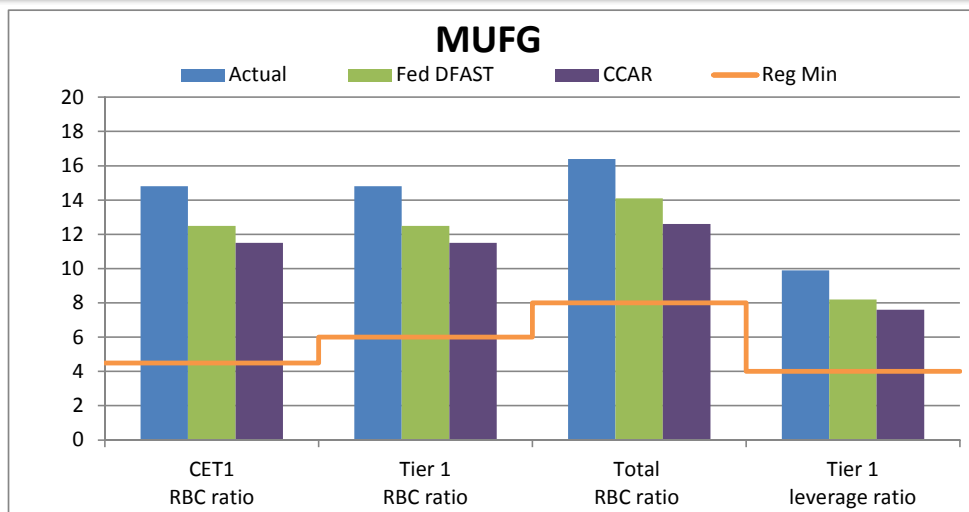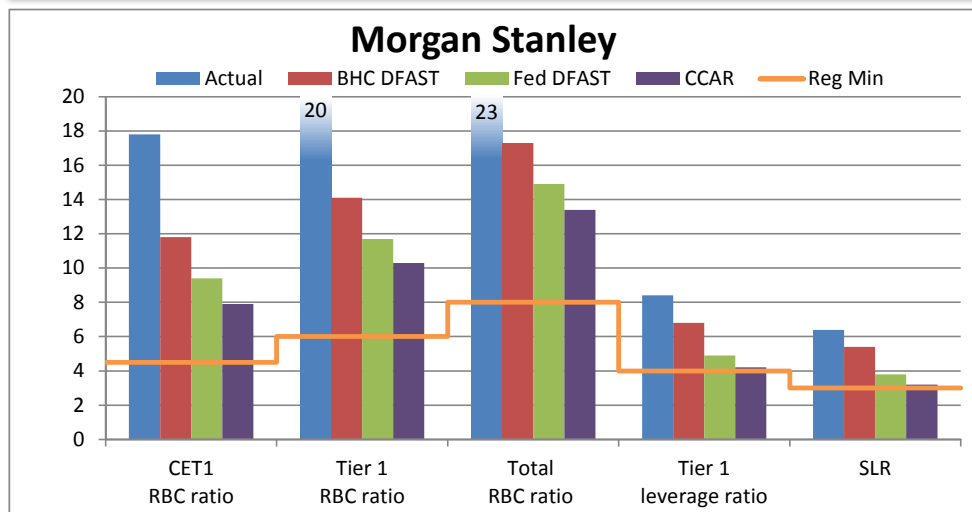
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Based on public data as of June 29, 2017

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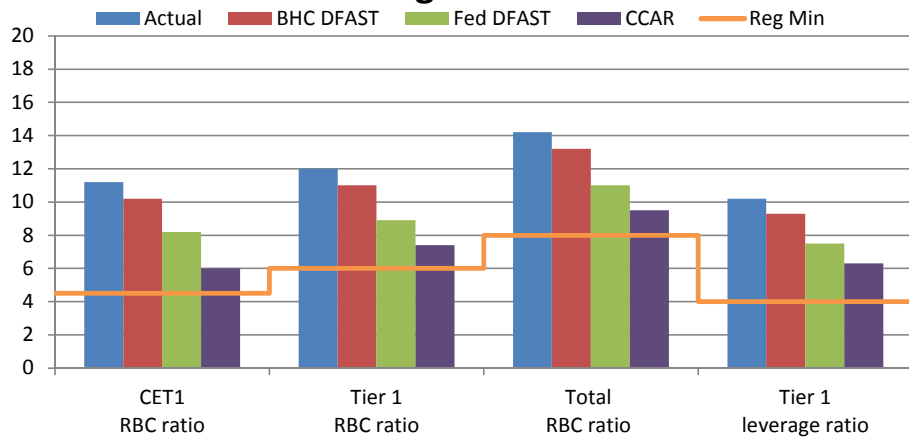
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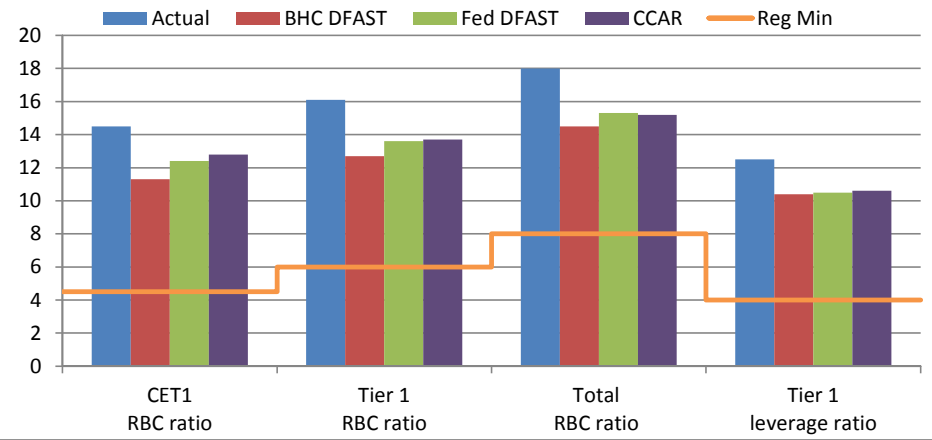
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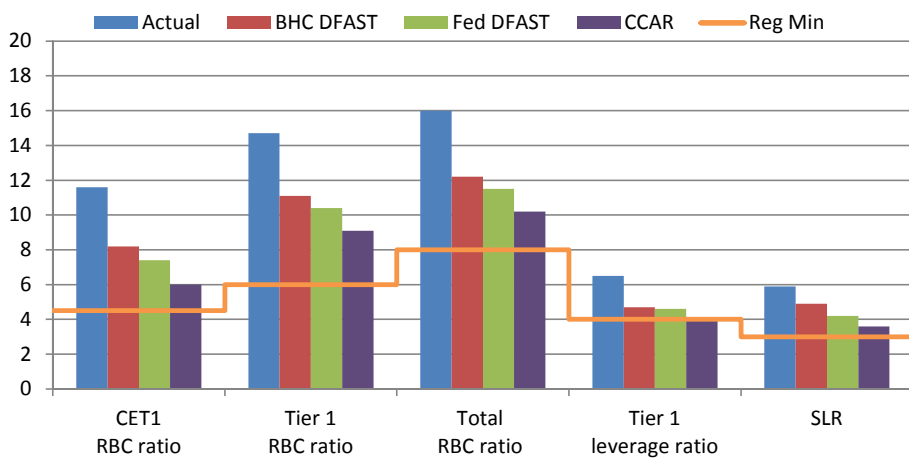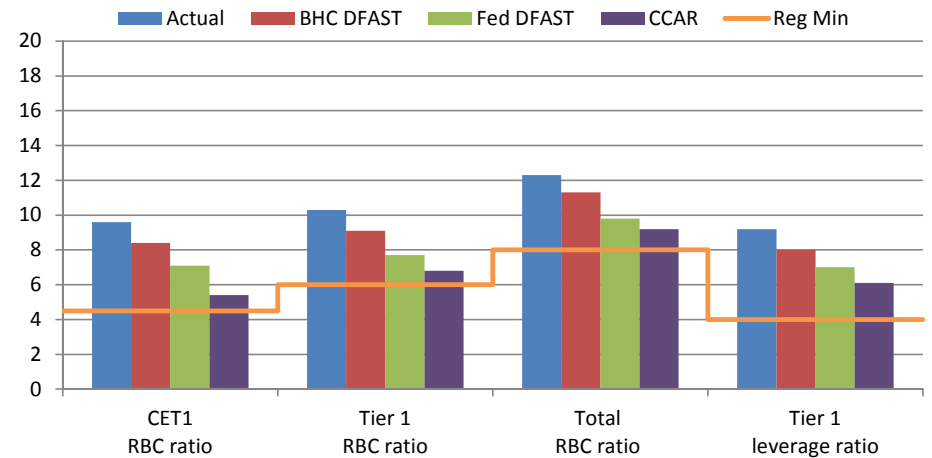
Visuals of 2017 CCAR and DFAST Results

Actual = Each BHC's reported capital ratio for Q4 2016, if available. Actual SLR ratios are reflected for advanced approaches BHCs based on the amounts the BHC reported under its company-run DFAST exercise (where available); where unavailable, amounts reflect data sourced from SNL Financial. Note that the SLR is not currently in effect. It becomes effective for advanced approaches BHCs on January 1, 2018.
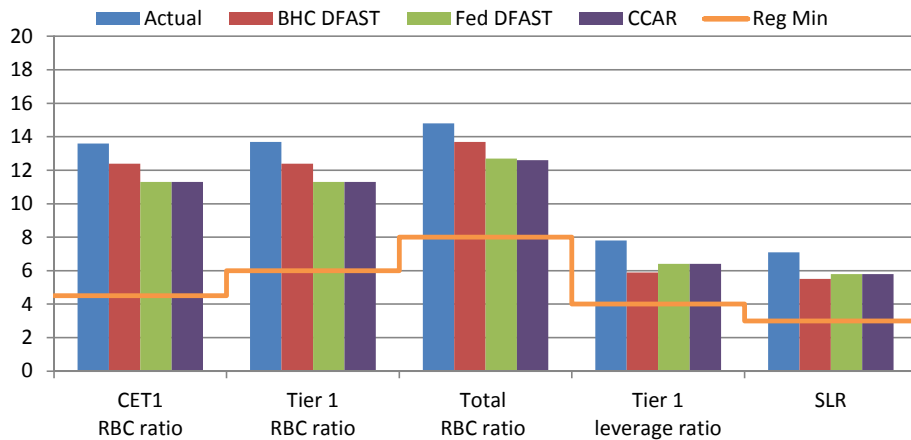
BHC DFAST = Lowest stressed capital ratio projected over the planning horizon under the **BHC's company-run DFAST** exercise, if available, which reflects the BHC's internal models as applied to the Supervisory Severely Adverse Stress Scenario and the DFAST capital action assumptions.

Fed DFAST = Lowest stressed capital ratio projected over the planning horizon under the **supervisory DFAST exercise**, which reflects the Federal Reserve's models as applied to the Supervisory Severely Adverse Stress Scenario and the DFAST capital action assumptions.
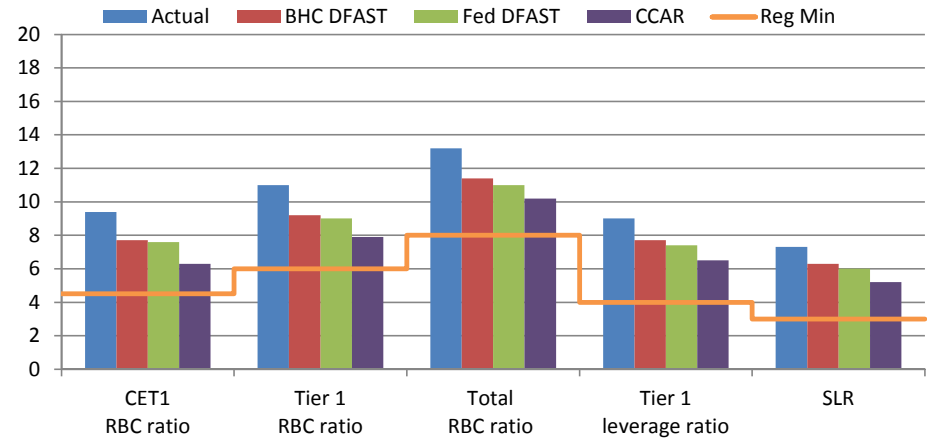
Fed CCAR = Lowest stressed capital ratio projected over the planning horizon under the Supervisory Severely Adverse Stress Scenario, as determined as part of the **Federal Reserve's CCAR** post-stress capital analysis, which reflects the Federal Reserve's models as applied to the Supervisory Severely Adverse Stress Scenario and each BHC's planned capital actions. As in previous years, the Federal Reserve provided each Large BHC with an opportunity to make a downward adjustment to its original planned capital distributions after receiving the Federal Reserve's preliminary estimates of the BHC's stressed capital ratios. If a Large BHC has made such an adjustment, the lowest stressed capital ratio incorporating the BHC's adjusted capital actions is shown.

Reg Min = The required minimum capital ratios for each quarter of the planning horizon (2017:Q1 to 2019:Q1) or, for the SLR, for the last five quarters of the planning horizon (2018:Q1 to 2019:Q1). All required minimum capital ratios exc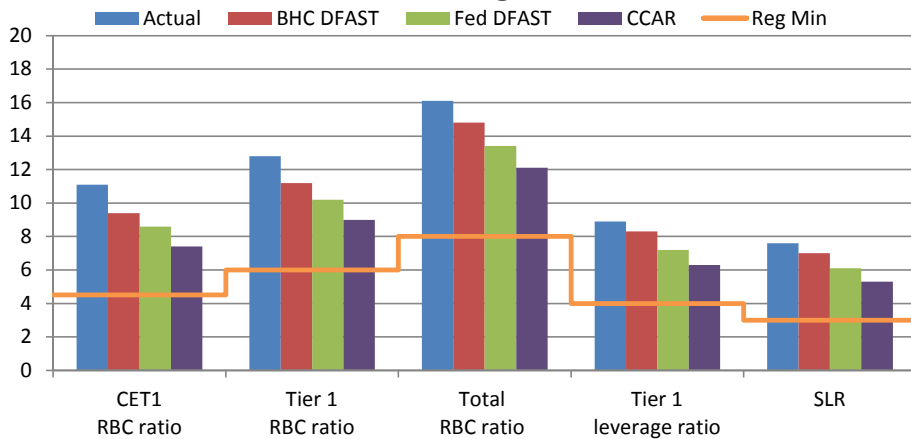lude applicable capital buffers, including the enhanced SLR.