



ANALYST QUICK NOTES

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Federal Reserve Announces 2017 CCAR Results

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CCAR Results for 2017:

- On June 28, the Federal Reserve announced the results of the 2017 Comprehensive Capital Analysis and Review (CCAR), which includes bank holding companies with \$50 billion or more in total assets.
- The Fed assesses whether firms have sufficient capital to continue operating and lending to households and businesses during times of economic and financial market stress, even after making all planned capital distributions, which include dividends and share buybacks.
- For the 2017 CCAR results, the Fed did not object to the capital distribution plans of any of the 34 bank holding companies subject to the review, although it issued a conditional non-objection to Capital One (COF) to address weakness observed in capital planning practices.
- In its report, the Fed noted:
 - Large financial institutions have more than doubled their capital levels, defined as the ratio of common equity to risk-weighted assets) since the 2008/9 financial crisis (from 5.5% to 12.9%) reflecting an increase of \$750 billion in equity capital over the period.
 - The 34 firms subject to CCAR hold more than 75% of the total assets of all U.S. financial companies.
- We believe the results from both last week's stress tests and this week's capital planning approvals speak to the continuing improved health of large financial firms and may provide more support for financial deregulation being advocated by the Trump administration.
- A peaking of capital level requirements and slower growth in regulatory/compliance costs also frees capital for lending and allows a greater amount of revenue gains to flow to earnings.
- For banks in our coverage, we highlight several capital approval plans below:
- American Express (AXP)
 - Share Repurchase: \$4.4 billion
 - % of Market Cap: 6%
 - Dividend Increase: 9% to \$0.35 per share

- BB&T Corp. (BBT)
 - Share Repurchase: \$1.9 billion
 - % of Market Cap: 5%
 - Dividend Increase: 10% to \$0.33 per share
 - Bank of America (BAC)
 - Share Repurchase: \$12.0 billion
 - % of Market Cap: 5%
 - Dividend Increase: 60% to \$0.12 per share
 - Capital One (COF)
 - Share Repurchase: \$1.9 billion
 - % of Market Cap: 5%
 - Dividend Increase: Maintained at \$0.40 per share
 - Citicorp (C)
 - Share Repurchase: \$15.6 billion
 - % of Market Cap: 8%
 - Dividend Increase: 100% to \$0.32 per share
 - JPMorgan Chase (JPM)
 - Share Repurchase: \$19.4 billion
 - % of Market Cap: 6%
 - Dividend Increase: 12% to 0.56 per share
 - M&T Bank (MTB)
 - Share Repurchase: \$900 million
 - % of Market Cap: 4%
 - Dividend Increase: 7% to \$0.80 per share
 - Morgan Stanley (MS)
 - Share Repurchase: \$5.0 billion
 - % of Market Cap: 6%
 - Dividend Increase: 25% to \$0.25 per share
 - PNC Financial Services (PNC)
 - Share Repurchase: \$2.4 billion
 - % of Market Cap: 4%
 - Dividend Increase: 36% to \$0.75 per share
 - State Street Corp. (STT)
 - Share Repurchase: \$1.4 billion
 - % of Market Cap: 4%
 - Dividend Increase: 11% to \$0.42 per share
 - SunTrust Banks (STI)
 - Share Repurchase: \$1.3 billion
 - % of Market Cap: 5%
 - Dividend Increase: 54% to \$0.40 per share
 - U.S. Bancorp (USB)
 - Share Repurchase: \$2.6 billion
 - % of Market Cap: 3%
 - Dividend Increase: 7% to \$0.30 per share
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