Stress Testing the Corporate Portfolio – Our focus to date & current challenges

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Disclaimer

• The views expressed here are my own, and not necessarily those of KeyCorp.

• I helped draft Key’s Presentation and Publishing Disclosure Guidelines.
Background

KeyCorp:

• Has assets of approximately $90 billion.

• Is headquartered in Cleveland, Ohio.

• Provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients.

• Has 1,062 full service retail banking branches in 14 states, and 1,576 ATMs.
Our Focus to Date through 1 SCAP & 2 CCARs

• Building more granular, loan level models.

• Working to minimize the need for qualitative adjustments.

• Elevating the importance of independent model validations.

• Expanding the involvement of all areas of the bank.
Challenges for this CCAR and beyond

• Getting at even more granular, historical data.

• Modeling new loan growth.

• Relating losses to the exposure at default (EAD).

• Understanding our bank models vs. the Fed's models.
Some other things to think about

• Is the goal to be accurate or conservative?

• No model is entirely “through-the-cycle” or purely “point-in-time.”

• What probability does the Federal Reserve assign to the stress scenario?

• How will you treat the 4Q12 in CCAR 2013 as actuals are playing out different vs. the macro economic scenarios?