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?