

DBRS U.S. Banks 3Q11 Earnings Roundup

Banks Maintain Momentum Despite All of the Negative Pressures

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Insight beyond the rating.

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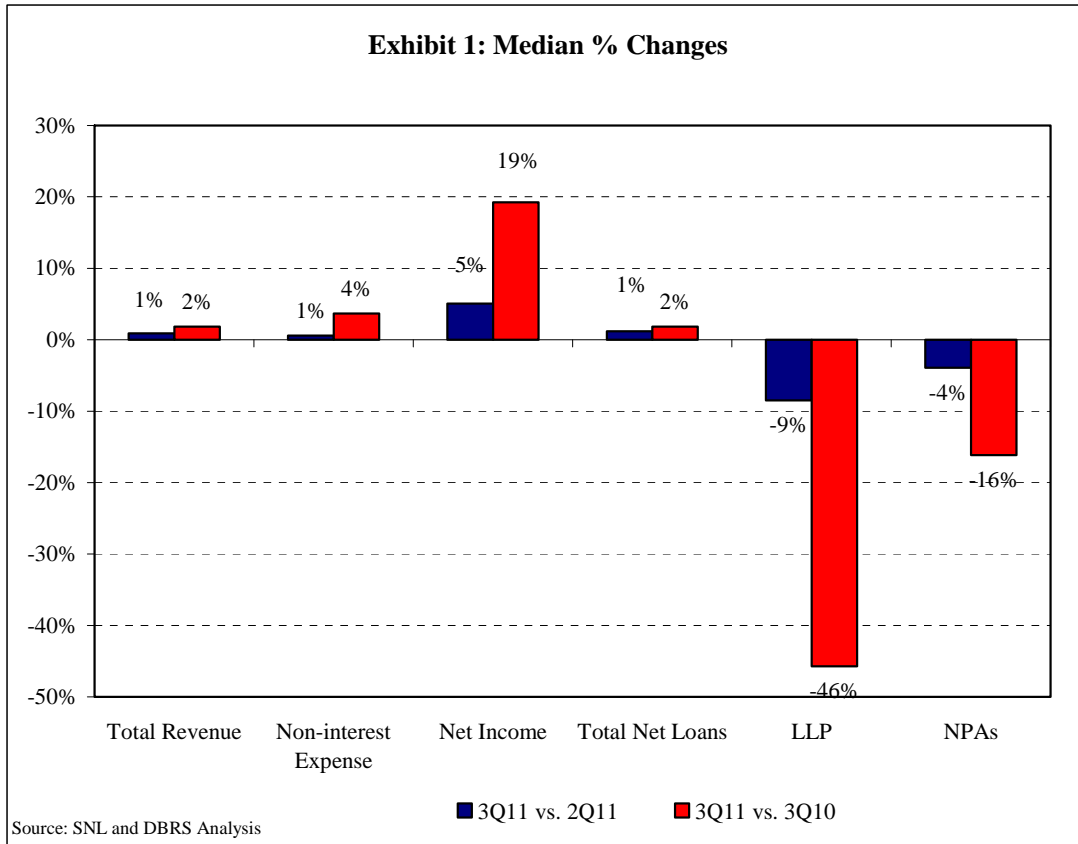
U.S. BANKS 3Q11 EARNINGS: BANKS MAINTAIN MOMENTUM DESPITE ALL OF THE NEGATIVE PRESSURES

To date, 3Q11 traditional bank earnings have proven to be resilient despite all of the weak economic trends and negative headlines following the debt ceiling debate. Typically, the median bank reported positive operating leverage, modest loan growth, continued improvements in asset quality, and higher sequential quarter and year-over-year earnings. With deposit growth still outpacing loan growth thereby reducing wholesale funding needs, banks continue to use excess funding to purchase securities. While helping grow net interest income, this dynamic has contributed to margin pressure because the primarily lower risk, shorter duration newly purchased securities carry significantly lower yields than the securities that are paying down or maturing. Moreover, strong competition for creditworthy borrowers in today's low rate environment has also pressured loan yields. Asset quality continues to improve with delinquencies, nonperforming assets (NPAs), and net charge-offs (NCOs) all trending lower, resulting in lower loan loss provisioning and higher earnings. Only 29% of reporting banks increased their loan loss reserves during the quarter. Meanwhile, capital and liquidity remain quite sound, as banks continue to build capital through retained earnings and are awash in deposits.

Looking forward, DBRS Inc. (DBRS) still expects slow and uneven economic growth that should nevertheless allow banks' asset quality to show continued improvements leading to reserve releases. Even though loan demand is not strong, it appears economic activity has picked up modest momentum again in September, which could contribute to higher loan balances for 4Q11, especially for more commercially-oriented banks. Loan growth in 3Q11 came primarily from commercial borrowers. Many banks are still seeing consumers deleveraging. To offset consumer portfolio declines, some banks are portfolioing some residential mortgages that they had previously sold to Fannie or Freddie. Also helping loan growth, many banks have worked through much of their legacy problematic exposures, particularly construction loans, so banks do not have to work as hard originating new loans to achieve loan growth. However, those banks with still large runoff portfolios should see loan balances to continue to contract. While DBRS still expects the U.S. economy to grow, recent events, particularly the European sovereign debt crisis, have increased downside risks considerably over the past quarter. With a weak U.S. economy, it is hard to envision how the U.S. economy could weather a severe downturn in Europe without slipping back into recession itself.

Following the financial crisis, those banks with investment banking and trading operations greatly benefitted from strong results in the market revival that helped offset high credit costs from their traditional banking operations. However, 3Q11 was not as kind with investment banking and trading businesses turning in their worst quarter since 4Q08. Equity markets were down considerably and risk aversion pushed clients to the sidelines or into less profitable products. The Volcker Rule is also likely hurt revenues and some banks have already exited some lucrative proprietary trading businesses, even without finalization of the regulations implementing the legislation. Results would

have been worse if debt valuation adjustments gains were excluded. Accounting gains are recorded when the value of a certain company's debt declines and losses are recorded when the value of these debts increases. Positively, fourth quarter market activity and market valuations are off to a better start, but the environment remains extremely volatile.



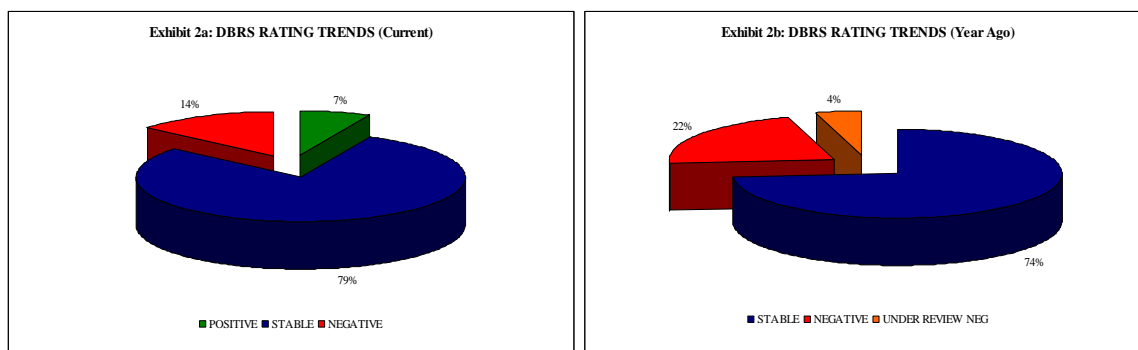
With most banks struggling for revenue growth, 4Q11 will provide yet another headwind with the implementation of the Durbin Amendment (Durbin), which limits the fees a bank can charge on debit card transactions. While most banks have changed product offerings and fees in an effort to mitigate a portion of the lost revenues, the industry will still take a substantial hit, especially in the short term while business models are adjusted.

The housing market remains a drag for the banking sector, despite various initiatives and actions. Recently, the Obama Administration has announced another new housing initiative (at least a variation of a previous initiative) to help spur the moribund housing market and economy. Specifically, the new plan would let all home owners with mortgages backed by Fannie Mae or Freddie Mac that have been current with payments for the past six months refinance their mortgages at lower rates regardless of the amount of equity that the borrower may or may not have. Moreover, some refinancing fees have been waived/lowered and “buy back” fears for banks refinancing these mortgages have been diminished. The initiative should theoretically allow some homeowners who owe more money than their house is worth to take advantage of today's low mortgage rates and free up more money for consumers to spend in the economy or pay down debt. DBRS notes that there still is no settlement between the major residential mortgage servicers with state attorneys general and

federal agencies, which continues to postpone a potential recovery in the housing market, which is central to the broader economic recovery.

RATINGS IMPLICATIONS

While the uncertain operating and regulatory environments will likely limit potential rating upgrades in 2011 and 2012, select banks that distinguish themselves from peers would see positive ratings pressure. Conversely, banks still experiencing stress on fundamentals, or executing poorly on large acquisitions or restructurings, may see negative pressure on their ratings. Since the publication of the 2Q11 Earnings Roundup, DBRS has changed JPMorgan Chase & Co.'s trend to Positive from Stable.



DBRS RATED LARGE BANK HIGHLIGHTS

Large banks' 3Q11 results reflect pressure on core revenues and earnings in a challenging environment. As a result, the large banks are all focused on reducing elevated expense levels. Underlying core earnings trends were weaker given the low interest rate environment, generally slow loan growth and sluggish capital markets. Credit quality continued to improve, but at a generally slower pace. Moreover, banks are expressing more caution suggesting a slowdown of reserve releases.

Large banks managed to generate modest loan growth in the quarter. Net interest income, however, continues to be pressured by weak loan generation and lower earning asset yields, particularly from investment security reinvestment and renewing loans. Meanwhile, non-interest income is adequate, yet constrained. Expenses remain elevated, but more controlled. Mortgage banking was stronger in the quarter as the low interest rate environment elevated production levels. But, elevated expenses continued for servicers, as housing industry and foreclosure issues remain unresolved. Negotiations with state attorneys general continue and are expected to have a material, yet absorbable impact when concluded. Positively, modest loan growth, primarily in commercial and industrial (C&I) loans, in asset purchases, and, to a lesser extent in credit cards, have been able to somewhat offset the continued loan balance declines from runoff portfolios, loan sales, and deleveraging consumers.

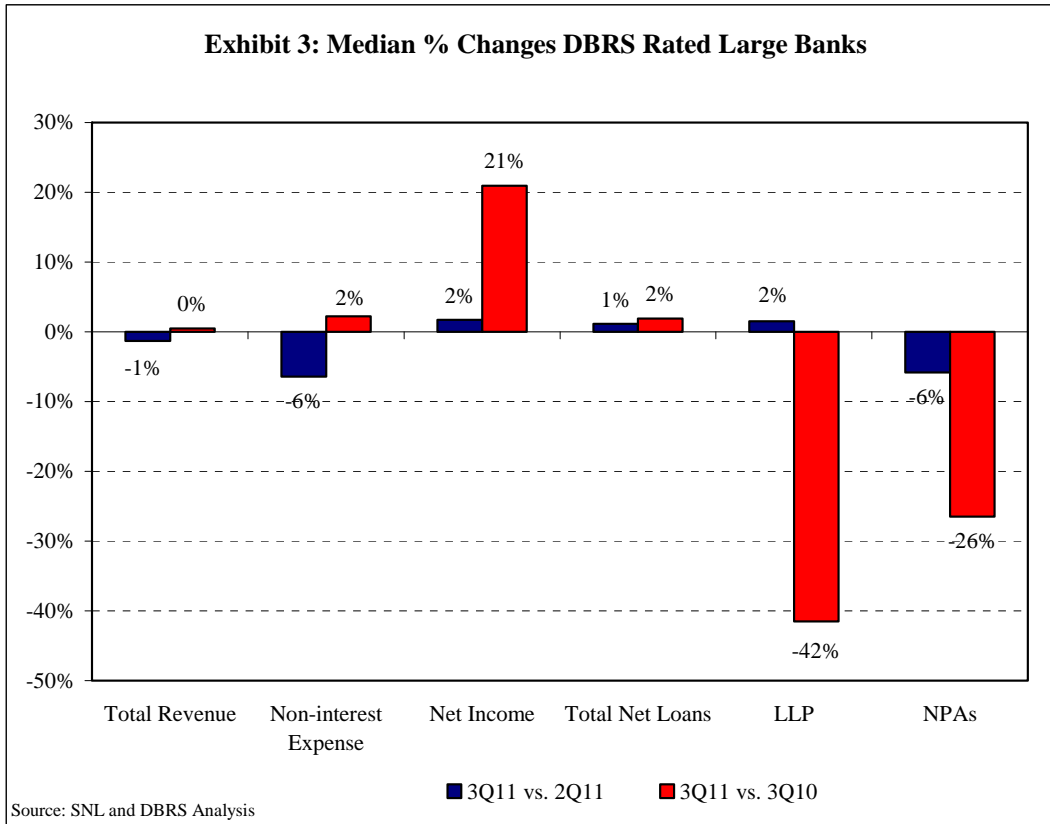
Non-interest income was up at 3 of the 4 large banks compared to 2Q11, but the improvement was non-core in nature with the increase primarily coming from debt valuation adjustment gains. Service fees that now incorporate the full Reg E impact are stabilizing as banks work to mitigate the regulatory changes with new account product and fee structures. Investment banking revenues were down significantly in the quarter from across the board weakness as fixed income and equity

underwriting, M&A and advisory all reflected constrained capital markets. Mortgage banking income was a bright spot in the quarter with stronger revenues and pipelines from record low interest rates. Mortgage servicing expenses, however, continue to be elevated from issues in housing and foreclosures. Rep/warranty expenses also continue to reflect volatility and uncertainty as GSE claims appear to be increasing. The recovery in the credit and debit card businesses has been improving with increased spending volumes and lower credit costs, but will now have to absorb an aggregate \$975 million decline in quarterly debit interchange fees with the Durbin amendment being implemented in 4Q11. Bank of America Corporation's anticipated decline is roughly half of the total, while Citigroup Inc. has signalled that interchange fees are not expected to have much of an impact on its business. The general consensus is that large banks expect to mitigate about half of the interchange fee reductions with fee and product changes over time.

Large bank expense reductions stood out with a 6.4% decline over the quarter, but were still up 2.2% over the year. Expenses are one of the only controllable areas for banks struggling for revenue growth and operating in a difficult environment. Half of the large banks now have formal expense reduction programs in place with the likelihood that the other half is reviewing expenses carefully to identify opportunities for cost saves. Areas with the most reduction potential are personnel headcount and branch reductions. Non-interest expenses of all banks continue to reflect elevated operating costs from credit, regulatory, litigation and compensation costs. Expense control will continue to be an important focal point given the lack of revenue growth, and, as such, becomes a more important consideration in ratings.

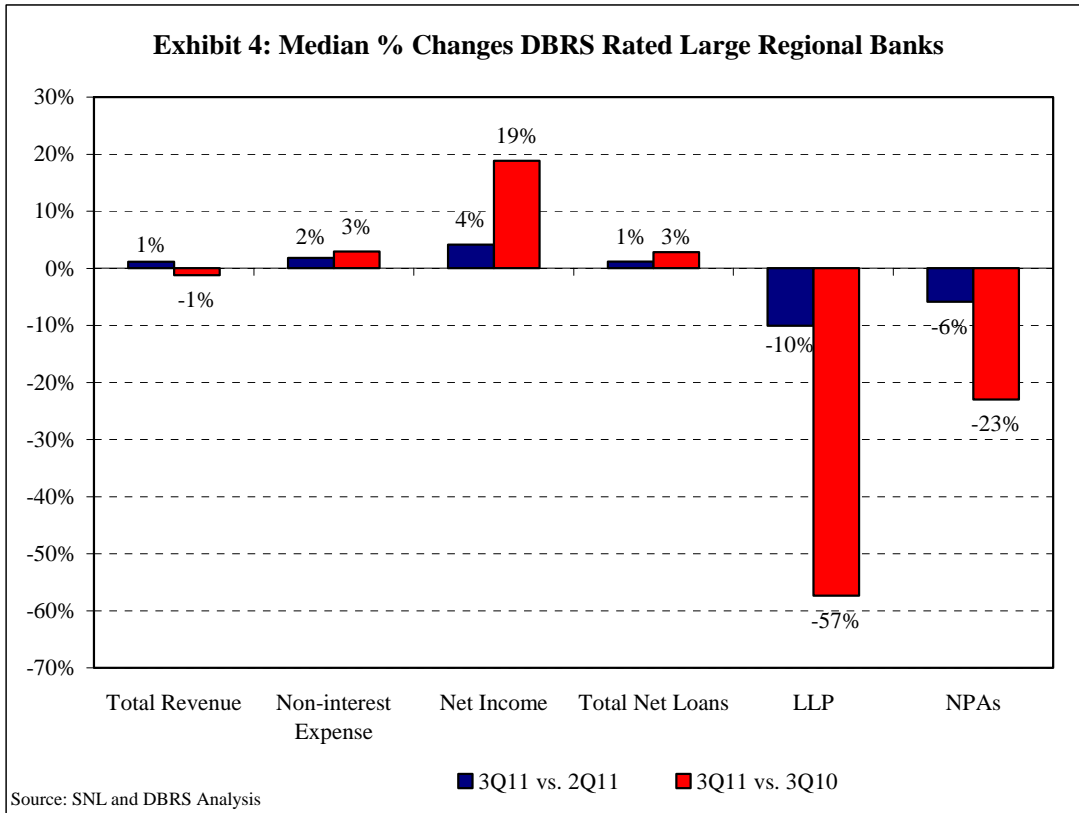
Credit quality continues to improve for the large banks. The pace of improvement, however, appears to be slowing with some large banks expressing caution, given the fragile economy and a growing likelihood of a decline in reserve releases. While improvements continue to be evident across nearly all asset classes and delinquency buckets, DBRS is also mindful of the growing ranks of restructured loans that may represent delayed NPAs. Another area of continued concern is the loss content embedded in home equity portfolios. Positively, C&I, commercial real estate, and credit card loan performance continues improve, but again, the pace appears to be slowing.

Large banks continue to de-risk their balance sheets through loan runoff, greater liquidity retention, stronger new loan underwriting, and the purchase of lower risk investment securities. Funding has been enhanced by stronger growth and an improved mix of deposits with the migration toward checking and savings deposits from time deposits. Large banks are also working on balance sheet restructuring to comply with the proposed Basel III capital and liquidity requirements. The strategic balance sheet review using the Basel III risk-weighting lens is forcing banks to rethink and focus their business strategies balancing returns to risk and economic capital with the new regulatory requirements. Capitalization continues to improve with the emphasis on organic capital generation with management teams focused on Tier 1 Common equity and Basel III compliance, now that there is some additional clarity as to the range of required capitalization while they await finalized guidance.



DBRS RATED LARGE REGIONAL BANK HIGHLIGHTS

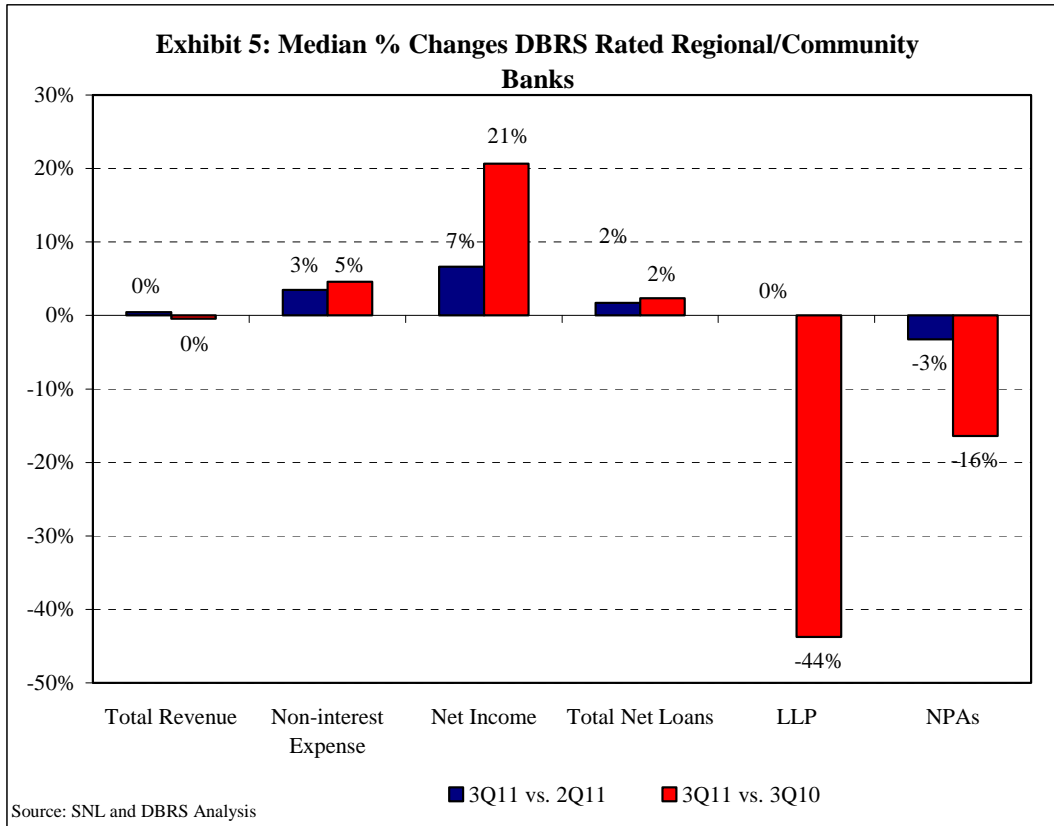
Large regional banks were once again profitable in the quarter. They delivered the highest median improvement in revenue growth compared to 2Q11, albeit a still low 1.1%, but revenues were down 1.2% from year ago levels. DBRS notes that large regional banks had the largest median decline in loan loss provisions, both sequentially and year-over-year, helping bolster earnings. Specifically, the median loan loss provisions declined 10% during the quarter and 57% compared to 3Q10. On a linked quarter basis, the median large regional bank reported higher revenues primarily driven by higher net interest income (despite margin compression), overall loan growth driven by commercial loans, and the most material improvement in asset quality metrics among DBRS rated groups. DBRS notes that margin compression was the least pronounced in the large regional segment. To date, 58% of reporting large regional banks reported improved sequential quarter net income.



Loan loss provisions were down in the quarter. No large regional had a negative provision. Only two banks reported higher sequential quarter provisions. Only one bank built its reserves by provisioning more than NCOs.

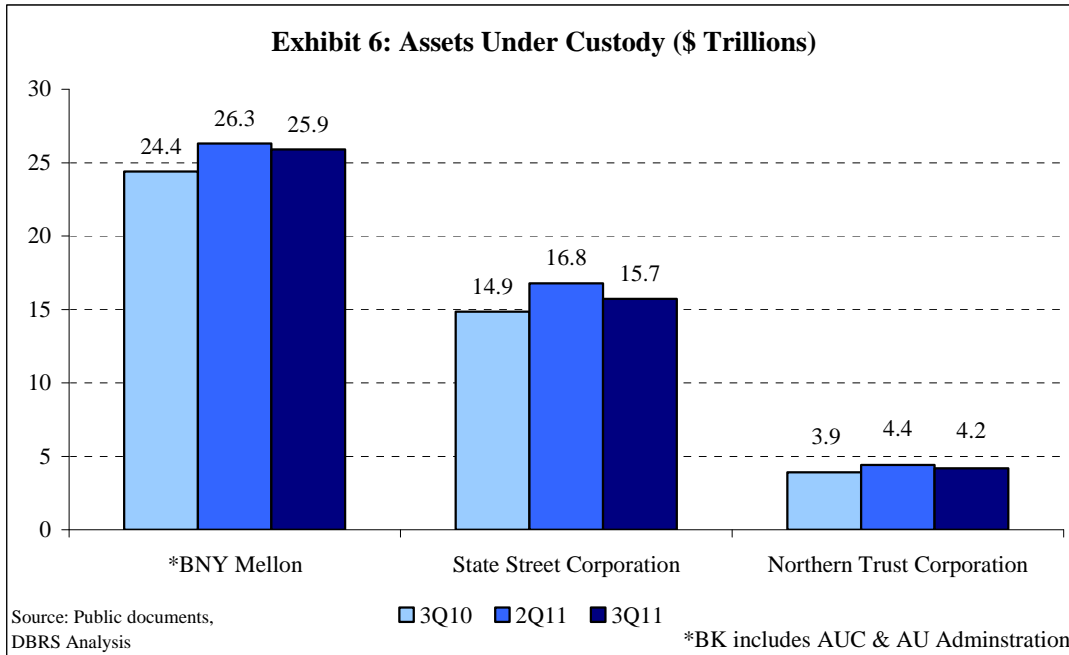
DBRS RATED REGIONAL/COMMUNITY BANK HIGHLIGHTS

Overall, 73% of regional/community banks reported better sequential quarter net income. All were profitable. One positive trend was that the median regional/community bank benefited from the largest sequential quarter increase in net loans among DBRS segments. Negatively, however, expense growth outpaced revenue growth. DBRS notes that the median loan loss provision was flat. Regional/community banks tend to be more relationship driven and tend to try to work out problem assets rather than selling them. Over half of regional/community banks built reserve levels with some of the reserve builds related to loan growth, not asset quality deterioration. Indeed, the vast majority of banks saw delinquencies, NPAs, and NCOs decline in the quarter. While margin pressure was evident at most banks, DBRS believes that this segment has the most room to lower deposit costs further given some higher cost CDs that will reprice to lower yields over the coming quarters. Nonetheless, most net interest margins will remain pressured in the low rate environment, at least until loan demand increases.



DBRS RATED TRUST BANK HIGHLIGHTS

Surprisingly, two of the three trust banks reported higher sequential net income even though 2Q11 is traditionally the strongest quarter of the year as it benefits from the international dividend season. As a result of increased volatility, foreign exchange trading revenues were a bright spot in the quarter. While only Northern Trust Corporation, which was helped by acquisitions, reported higher overall quarterly revenues, all three trust banks reported lower sequential quarter expenses. With the low interest environment constraining revenues, all three companies have been looking carefully at expenses to improve returns and are at varying stages of implementing expense initiatives. Despite each trust bank reporting strong net new business wins, market declines negatively impacted assets under custody (AUC) and assets under management (AUM). All three trust banks saw AUC and AUM decline in the quarter with the median declines totalling 6% each. With some fees based on lagged market valuations combined with persistent low interest rates and lower client risk appetite, revenues should remain pressured in 4Q11.



ALL U.S. BANKS HIGHLIGHTS

Positively, each bank reporting to date has been profitable with 75% of all banks reporting better linked quarter results. The median bank saw revenue growth outpace expense growth resulting in positive operating leverage. Specifically, the median revenue increase was 0.9% compared to 0.6% of expense growth. The primary driver in improved earnings remains improving asset quality that is allowing banks to reduce reserve levels by provisioning less than NCOs.

Non-interest Income Stable, but Durbin is Coming

Non-interest income increased at slightly over half of all reporting banks. The primary bright spot was mortgage banking revenues that have benefited from an increase in refinancing activities and better spreads. Nonetheless, regulatory rules have hurt overdraft fees and, as previously noted, Durbin will hurt 4Q11 revenues, at least for banks with more than \$10 billion in assets.

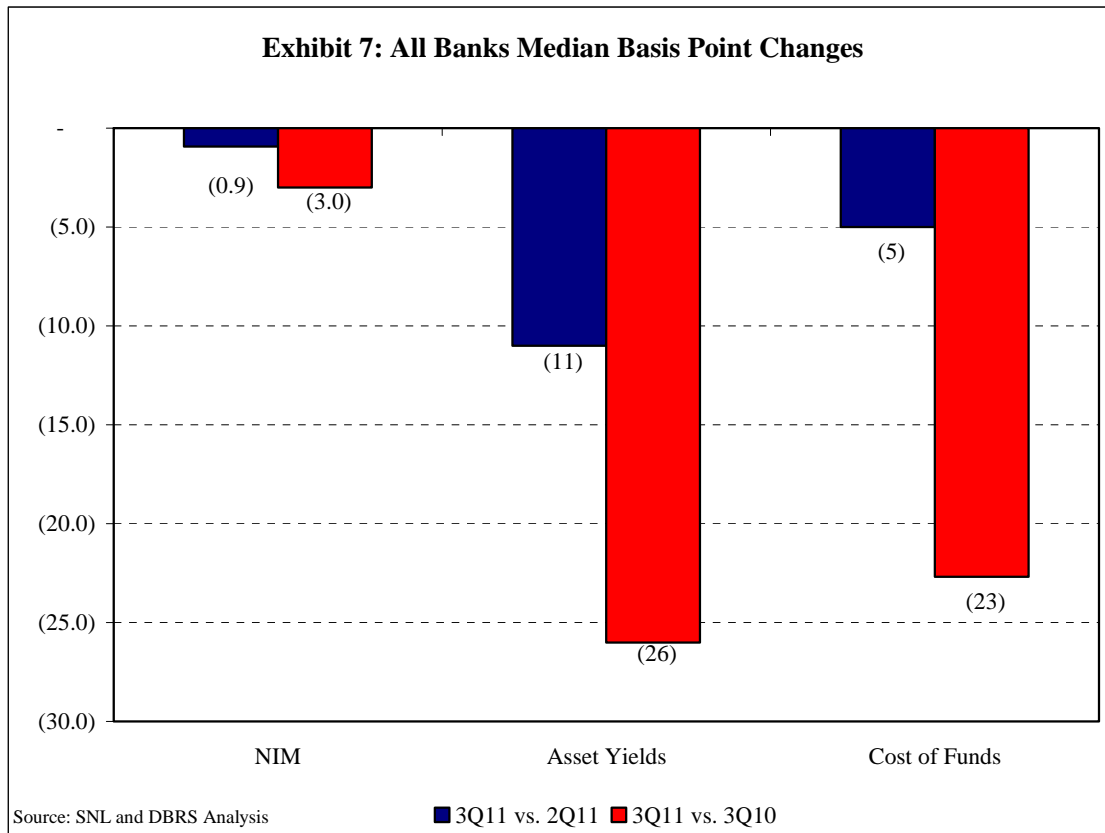
Asset Quality Still Improving Across the Board, but Improvement is Slowing

With delinquencies, NPAs, and NCOs all declining during the quarter, banks generally continue to provision less for loan losses. Specifically, the median early state delinquencies, NPAs, and NCOs were down 7.9%, 4.1%, and 10.5%, respectively. Less than 30% of all banks increased their allowance for loan losses with most banks provisioning less than NCOs. DBRS expects a continuation of these trends in 4Q11.

Margins Decline, but Net Interest Income Still Benefits from Earning Asset Growth

After stabilizing in 2Q11, margins are once again under pressure from the prolonged low rate environment. Both loan yields and securities yields continue to decline faster than funding costs. Contrary to public opinion, most banks are very willing to lend to creditworthy borrowers. That willingness is leading to considerable competition for good loans, particularly commercial loans, which has hurt banks' pricing power. Meanwhile, most banks have remained conservative by buying lower risk, shorter duration assets, which has brought down securities yields. As a result, very few banks saw asset yields increase and the median decline was 10 basis points. Meanwhile, funding costs

were lower at virtually every bank, but the median decrease was five basis points. About the only real positive from the challenging operating environment is that deposit growth remains strong with 76% of all banks seeing higher deposit balances. Customers continue to be risk adverse and sit on the sidelines opting for safety in cash, even with virtually no yield on their deposit balances. Banks have been able to use the increased funding to increase earning assets, which have more than offset margin pressure resulting in higher net interest income for banks. Bank margins are expected to remain under pressure over the intermediate term with banks unable to lower funding costs much more and asset yields continuing to migrate lower.



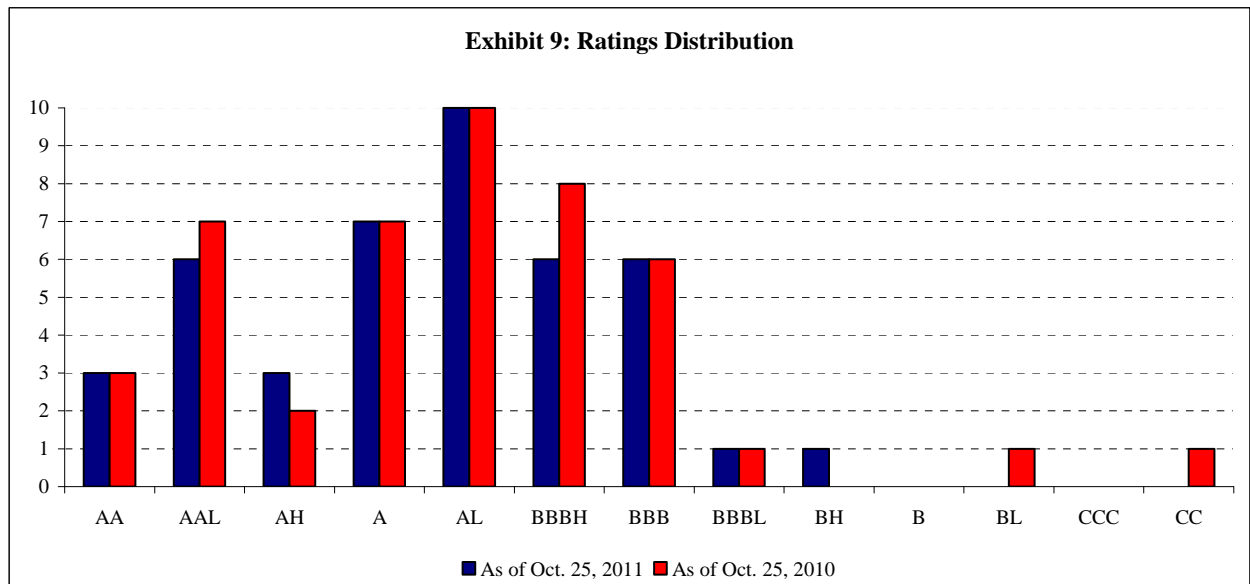
Capital Continues to Build

With improved results and little balance sheet growth, capital positions have mostly improved absent significant acquisitions. While some banks have returned more capital to shareholders through dividends and share repurchases, many management teams prefer to hold onto capital to meet proposed capital requirements or pursue acquisitions, especially considering the challenging revenue environment. With some banks reconfiguring business models by selling off assets and the higher regulatory burden pressuring all banks, but especially smaller ones, DBRS expects acquisitions to increase over the intermediate term. However, most buyers and sellers are having a difficult time agreeing on price, especially with most bank stock prices down at least 15% in 2011.

RECENT RATING ACTIONS

Exhibit 8				
Entity	Action	Date	Rating	Trend
Comerica Incorporated	Confirmed	11-Oct-11	A	Stable
H&R Block, Inc.	Confirmed	5-Oct-11	BBB (high)	Stable
Bank of America Corporation	Confirmed	27-Sep-11	A	Stable
JPMorgan Chase & Co.	Confirmed, Trend Change	14-Sep-11	A (high)	Positive
Pacific Capital Bancorp	Confirmed	2-Sep-11	B (high)	Positive
Fulton Financial Corporation	Confirmed	23-Aug-11	A (low)	Stable
First Midwest Bancorp, Inc.	Confirmed	19-Aug-11	BBB	Negative
Capital One Financial Corporation	Confirmed	17-Aug-11	BBB (high)	Stable
Bank of Hawaii Corporation	Confirmed	8-Aug-11	A (low)	Stable
SunTrust Banks, Inc.	Confirmed	8-Aug-11	A (low)	Stable
Old National Bancorp	Confirmed	2-Aug-11	BBB (high)	Stable

DBRS RATINGS DISTRIBUTION



INDIVIDUAL DBRS RATED BANK QUARTERLY HIGHLIGHTS

[Please visit www.dbrs.com for full quarterly detail]

Associated Banc-Corp (Issuer & Senior Debt at BBB, Stable)

- For the quarter, Associated reported net income to common shareholders of \$34.0 million, up from \$25.6 million in 2Q11. Importantly from DBRS's perspective, third quarter results reflected growth in underlying profitability. Whereas prior period results were driven by reserve releases, Associated was able to generate revenue and IBPT growth in 3Q11, despite the still-challenging environment. For the quarter, total revenues were up 2.7% to \$224.8 million; IBPT was \$62.7 million, up from \$60.0 million in 2Q11.
- Associated's revenue growth in the third quarter was driven by improvement in non-interest income as net mortgage banking fees and net capital markets fees rebounded from a weak second quarter. Combined these two items produced 3Q11 revenues of \$7.8 million, a \$12.0 million improvement from 2Q11. Core fee revenues, which include trust fees, retail commissions, service charges and card-based and other non-deposit fees, decreased 2.1% from 2Q11 to \$60.1 million.
- Associated's 3Q11 results also evidenced further success in executing on its various strategic initiatives. The Company continues to invest in people and in new product areas, which supported solid q-o-q loan growth of 3% in the third quarter. Core deposits continued to grow, with demand deposits showing noteworthy 15% growth in the third quarter, while the Company further reduced higher cost Brokered CDs. In addition, capital levels remained strong, credit costs continued to decline, and nonaccrual balances continued to fall.
- NPAs were the lowest in ten quarters, down 13.2% to \$445.5 million. Potential problem balances also fell another 5.7% from 2Q11. Combined with the noted loan growth, the ratio of NPAs to loans plus OREO declined 62 bps q-o-q to 3.29% of loans plus OREO. These trends and a 32.0% drop in net charge-offs to \$30.2 million, supported the 3Q11 provision of \$4.0 million that reduced the allowance by \$26.2 million to \$399.7 million.
- At quarter end, Associated reported an estimated Tier 1 common equity ratio of 12.44% and an estimated Tier 1 ratio of 14.35%, which give Associated ample loss absorption capacity and increased flexibility as it executes on its various strategic initiatives. These capital levels also keep its subsidiary comfortably in compliance with its MOU-stipulated capital requirements.

Astoria Financial Corporation (Issuer & Senior Debt at BBB, Stable)

- The Company reported 3Q11 earnings of \$11.2 million, down from \$16.8 million for 2Q11. Earnings in 3Q11 were pressured by continued, albeit slowing loan contraction, a narrower NIM and an increase in non-cash ESOP expense of over \$3 million.
- Lower linked-quarter net interest income reflected a 7 basis point narrowing of NIM to 2.27% and a 2.3% contraction in average earning assets. In part, the narrower NIM also reflected one more day of interest expense in the quarter.
- Loan contraction continues to be driven by the fragile housing market and elevated prepayment levels. Nonetheless, DBRS notes that the q-o-q pace of loan contraction slowed during 3Q11.
- On a linked-quarter basis, higher non-interest expense was driven by a \$3.0 million plus increase in ESOP expense, higher occupancy and advertising expense. DBRS comments that the company continues to reach out to the FDIC to reduce its deposit insurance premiums, but will not have resolution over the near term.
- Despite significant macroeconomic headwinds, Astoria's asset quality remains sound.

Bank of America Corporation (Issuer & Senior Debt at 'A', Stable)

- Bank of America reported net income of \$6.2 billion in the third quarter compared to sizable losses of \$8.8 billion in 2Q11 and \$7.3 billion in 3Q10.

- The 3Q11 quarterly earnings announcement reflected the challenge that Bank of America faces in transforming its business during a particularly difficult economic environment. In DBRS's opinion, the results reflected significant revenue constraints on one hand due to both macroeconomic and market pressures in addition to the Company's unique challenges and its exit from a number of non-core businesses. On the other hand, Bank of America has strengthened its balance sheet with improved capitalization, liquidity, asset quality, lower legacy assets and reduced long-term debt.
- Company-wide net revenues were \$28.5 billion, up 115% from 2Q11 and 6.6% from 3Q10 absent the outsized 2Q11 mortgage charges and benefiting from a number of one-time gains in 3Q11.
- Adjusted for the one-time gains and unusual expenses, IBPT would have been only \$5.0 billion or 47% below the prior quarter and the weakest quarterly IBPT since 2Q09. Weaker revenues reflect the current operating environment featuring low interest rates, tepid asset generation, adverse capital market conditions and an impaired mortgage market.
- DBRS notes that credit quality improved at a good pace in the quarter. Bank of America reported its tenth consecutive quarter of decline in near-term consumer delinquencies (excluding FHA-insured loans) and its eighth quarter consecutive decline in reservable criticized utilized exposures. Nonperforming loans (including foreclosed properties) declined for the fifth consecutive quarter, decreasing 3.3% or \$1.0 billion from 2Q11 to \$29.1 billion (or 3.15% of total loans, leases and REO) at September 30, 2011 while 90 day past dues (but still accruing and excluding FHA insured loans) fell \$536 million or 12.6% to \$3.7 billion.
- With a number of capital actions taking place in 3Q11 (including the Berkshire Hathaway investment and partial sale of CCB stake), the Company reported its Tier 1 common ratio up by 42 basis points (bps) to 8.65% and Tier 1 capital up 48 bps to 11.48% in the quarter. Similarly, the Company's tangible common equity ratio increased 38 bps over the quarter to 6.25%.

Bank of Hawaii Corporation (Issuer & Senior Debt at A (low), Stable)

- The Company reported net income of \$43.3 million for the quarter, up from \$35.1 million in the previous quarter, but down from \$44.1 million in 3Q10. Highlights of the quarter include solid expense control, robust mortgage banking results, and maintenance of a very strong balance sheet with still modest credit costs, but continuing margin pressure.
- While DBRS expects modest loan growth to return in 4Q11, the regulatory impact and continued margin pressure is expected to make revenue growth difficult to achieve over the short term.
- While both average loans and securities increased during the quarter, the margin declined seven basis points to 3.09% during the quarter. As securities mature or pay down, yields on newly purchased securities have been around 2% for the available-for-sale securities portfolio pressuring the margin.
- Although NPAs increased \$3.6 million to \$37.8 million primarily reflecting one \$5 million commercial credit that incurred a partial charge-off of \$3.5 million during the quarter, asset quality remains very strong. Management indicated that the reserve will likely trend downward, which would bolster future profitability.
- Even with dividends and share repurchases in 2011 exceeding net income, capital metrics remain very strong. Specifically, BOH had a tangible common equity to tangible assets ratio of 7.43%. On a risk-adjusted basis, this metric increases to 18.90%.

The Bank of New York Mellon Corp. (Issuer & Senior Debt at AA (low), Stable)

- BNY Mellon reported net income from continuing operations of \$651 million, down 11.4% from \$735 million in 2Q11, but up 4.2% from \$625 million in 3Q10. The year over year improvement benefited from the Company's 2010 acquisitions, net long-term asset flows and increased deposits.

- Excluding net securities gain/loss, total 3Q11 revenues were \$3.7 billion, down 3% from 2Q11. Total fee revenues this quarter were \$2.9 billion, about 78% of total revenues. (excluding net securities losses) with most key fee lines showing good year over year growth.
- BNY Mellon's net interest revenue (FTE) totalled \$782 million in 3Q11, up 6% from 2Q11 and driven by substantially higher average noninterest-bearing deposit balances that were up \$30 billion or 71% over the quarter to \$73.4 billion.
- Relative to 2Q11, noninterest expense adjusted for restructuring charges, M&I expenses and amortization of intangibles decreased 1.4%. The decrease over the quarter was primarily from lower benefits, business development expenses, and state investment tax credits. DBRS notes that 3Q11 expenses were inflated by \$80 million of litigation expense and a \$22 million charge due to the departure of the former CEO.
- BNY Mellon's \$76.5 billion (fair value) investment securities portfolio remained in a solidly positive position with an unrealized pre-tax gain of \$863 million, an improvement from the unrealized gain of \$770 million at the end of 2Q11.
- Estimated Tier 1 common ratio was a strong 12.5%, down 10 bps from the end of 2Q11. BNY Mellon's estimated Basel III Tier 1 common ratio was flat over the quarter at 6.6%. DBRS notes that the elimination of the sub-investment grade, non-agency RMBS securities would theoretically add roughly 250 bps to the Basel III tier 1 common ratio.

BB&T Corporation (Issuer & Senior Debt at A (high), Stable)

- Reflecting continued loan growth and lower credit costs, BB&T reported net income available to common shareholders of \$366 million for 3Q11, up from \$307 million for 2Q11.
- Lower credit costs were driven by improved asset quality, much of which reflects BB&T's stabilizing customer base, as well as the Company's aggressive approach to managing down its problematic loans.
- Lower total revenues, linked-quarter, mostly reflected a drop-off in fee income, pressured by a decline in insurance income, BB&T's largest fee revenue contributor.
- Meanwhile, higher improved spread income was attributable to a 5.2% increase in average earnings assets, partially offset by a 6 basis point narrowing of net interest margin (NIM), to a still strong 4.09%.
- Although BB&T's asset quality remains pressured by the protracted slow growth of the economy, its credit metrics continue to improve.
- BB&T maintains a healthy capital position, which provides sound loss absorption capacity.

Capital One Financial Corporation (Issuer & Senior Debt at BBB (high), Stable)

- For the quarter, Capital One reported solid net income of \$813 million slightly higher year-on-year, but 11% lower than the prior quarter reflecting higher provisioning expense as the benefit of reserve releases diminished. Results benefited from higher net interest income owed to higher loan balances and margin expansion.
- Net interest margin improved by 19 basis points quarter-on-quarter to 7.39% owed to higher yield on interest earning assets reflecting lower revenue suppression and a 6 basis point reduction in the cost of funds driven by lower deposit rates and the reduction in the quantum of wholesale funding.
- Evidencing solid customer loyalty, Domestic Card purchase volume increased 17% year-on-year, excluding the impact of the Kohl's portfolio acquired in 2Q11.
- Credit performance remained favorable during the quarter. Within the \$130 billion loan book, Company-wide NCOs improved to 2.52%, the lowest level since the onset of the financial crisis.
- Capital One continues to benefit from the deposit gathering capabilities of its solid regional banking and leading direct deposit franchises. At 30 September 2011, deposits grew

- modestly quarter-on quarter to \$128.3 billion. As a result of loan growth outpacing deposit growth, the loan-to-deposit ratio declined slightly but remains a quite solid 101%.
- Capital One's Tier 1 Common ratio improved 60 basis points compared to the prior quarter to 10.0%.

Citigroup Inc. (Issuer & Senior Debt at 'A', Stable)

- Citigroup reported net income of \$3.8 billion for the quarter, up from \$3.3 billion for 2Q11. The Company reported net revenues of \$20.8 billion for the quarter, up 1% from 2Q11, and net credit losses also fell further in the quarter, though the amount of reserve release did decline \$557 million from the second quarter. For the third quarter, IBPT was \$8.4 billion, up 9% q-o-q.
- Results for 3Q11 benefited from a \$1.9 billion pre-tax credit valuation adjustment (CVA) that bolstered reported results for Securities & Banking (S&B) in what was an otherwise challenging quarter for the business. Notwithstanding the weaker underlying revenue performance for S&B, the Company's ability to generate resilient earnings and revenues in the difficult operating environment is an important factor underpinning DBRS's A (low) intrinsic assessment for Citigroup.
- The core Citicorp franchises generated pre-tax earnings (ex-CVA) of \$4.6 billion in 3Q11 on net revenues (ex-CVA) of \$15.8 billion. These figures were down about 6% and 2.5% respectively from 2Q11 and, as noted, were largely driven by S&B. Excluding CVA, 3Q11 S&B revenues declined 9% from 2Q11 to \$4.8 billion as, similar to peers, lower activity levels and volatile markets impacted investment banking fees and trading lines in the quarter.
- International Consumer Banking continued its positive momentum, growing loans and deposits again in the quarter (on a constant currency basis) and growing revenues slightly to \$4.9 billion. Net income for International Consumer Banking increased 1% from 2Q11 to \$919 million. In North American Consumer Banking, net income increased 1% to \$692 million and underlying trends, including modest loan and deposit growth, were positive. The reserve release in North American Consumer Banking declined \$104 million from 2Q11 to \$653 million in 3Q11 and was driven entirely by further improvement in cards.
- Though the loss reported by Citi Holdings widened by \$584 million from 2Q11 to \$802 million, it remains a manageable drag on Citigroup in DBRS's view, given the performance of the core Citicorp businesses. Pro forma for the transfer of retail partner cards to the core Citicorp business, Citi Holdings assets were 13% of total Company assets at the end of 3Q11.
- Credit continued to improve across most key consumer and commercial portfolios in the third quarter, but the pace of improvement did slow somewhat. As a result, the Company's reserve release declined q-o-q though, at \$32.1 billion, Citigroup's allowance for loan losses remains strong in DBRS's view, covering 5.07% of total loans and 265% of nonaccrual loans at the end of the third quarter. Importantly in DBRS's view, credit losses and 90+ day delinquencies continued to decline in domestic cards (including retail partner cards) and residential real estate lending in both Citicorp and Citi Holdings in the third quarter.

City National Corporation (Issuer & Senior Debt at 'A', Stable)

- City National reported net income of \$41.4 million for the quarter, down from \$47.5 million in 2Q11, but still an improving trend from \$34.4 million in 3Q10. On a sequential quarter basis, the \$7.5 million provision for credit losses, no gain on acquisition (\$8.2 million in 2Q11), a negative hit to pre-tax earnings from covered assets and margin compression more than offset net interest income growth of \$8.5 million.
- Highlights of the quarter include continued robust deposit growth particularly in non-interest bearing deposits, solid loan growth, good expense control and continued positive trends within criticized and classified loans. Moreover, delinquencies were down sharply as well.

- Demonstrating franchise strength, deposit growth remains extremely robust with average deposits increasing by almost \$1 billion, or 5%, with average non-interest bearing deposits growing even faster at 9%.
- With two large loans transitioning to non-accruals this quarter, NPAs (excluding covered assets) increased to \$190.7 million, representing a still solid 1.56% of total loans and other real estate owned, from \$180.4 million, or 1.54%.
- Capital remains strong with the Company's tangible common equity ratio remaining relatively stable during the quarter at 7.07%. Management indicated that they would prefer to deploy capital through organic growth and acquisitions rather than through share repurchases.

Comerica Incorporated (Issuer & Senior Debt at 'A', Stable)

- In 3Q11, Comerica reported net income of \$98 million compared to \$96 million in 2Q11 and \$59 million in 3Q10. The results were impacted by the Sterling Bancshares (Sterling) acquisition that was completed on July 28, 2011, and included \$33 million in merger and restructuring charges. Excluding the benefits from Sterling; however, legacy Comerica's revenues were somewhat subdued due to the difficult operating environment.
- Average loans grew by 2.4% QoQ to \$40.1 billion in 3Q11, primarily as a result of loans added from Sterling. This quarter's revenue growth was partially offset by a 12.5% sequential increase in expenses, including expenses related to the Sterling acquisition.
- In 3Q11, net interest income increased \$32 million or 8.2% QoQ to \$423 million, driven by an increase in average earning assets and from a \$27 million purchase discount accretion on the acquired Sterling loan portfolio. NIM expanded 4 bps QoQ to 3.18% in 3Q11.
- Comerica continued to exhibit broad-based improvement in its asset quality, recording the ninth consecutive quarter of declining charge-offs. NCOs decreased by \$13 million sequentially in 3Q11 to \$77 million or 0.77% of average total loans and NPAs at 2.53% of total loans and OREO reflected a 13 bps sequential improvement. DBRS views that positive credit trends led to a 19% sequential decline in the provision for loan losses to \$38 million.
- Capitalization is solid and liquidity positions are robust, providing ample loss absorption capacity. Strong capital levels are evidenced by its estimated Tier 1 risk-based capital of 10.65%, Tier 1 common ratio of 10.57% and tangible common equity ratio of 10.43% in the quarter.

Fifth Third Bancorp (Issuer & Senior Debt at A (low), Stable)

- Fifth Third recorded a strong third quarter, reporting net income available to common shareholders of \$373 million that increased 14% or \$45 million from the prior quarter and 112% from the same period a year ago.
- The adjusted pre-provision net revenue (PPNR, adjusted for nonrecurring items) of \$633 million grew 8.8% sequentially benefiting from a 4% QoQ increase in net interest income and a 1% QoQ growth in fee income, primarily from mortgage banking activities.
- The benefit of revenue growth was partially offset by an increase in non-interest expense that climbed 5% or \$45 million to \$946 million compared to unusually low levels in the prior quarter.
- Continued improvement in credit metrics with NPAs of \$2.1 billion (including \$197 million of held for sale loans) that declined 5.4% sequentially to 2.44% of total loans plus OREO resulted in a 23% sequential decline in provision for loan losses to \$87 million.
- While overall loan growth was low, there were positive signs in the trends for different loan categories particularly as C&I loans were up 3% QoQ.
- With a strong capital position with Tier 1 common equity ratio up 13 bps QoQ to 9.3% at 3Q11, Fifth Third anticipates that its Basel III Tier 1 common ratio would be 9.8%, which would already be above the level required by the 2019 final phase-in date.

Fulton Financial Corporation (Issuer & Senior Debt at A (low), Stable)

- Reflecting stabilizing credit costs and higher revenues, partially offset by an increase in noninterest expense, the Company's earnings increased to \$39.3 million for 3Q11, from \$36.4 million for the prior quarter.
- Despite the difficult operating environment, higher quarter-over-quarter (q-o-q) earnings reflected a 13.9% decrease in provisions for loan loss reserves and a 1.2% expansion in total revenues, somewhat offset by a 4.0% increase in noninterest expense.
- Fulton improved its deposit mix in the quarter continuing a trend.
- Despite the protracted slow growing economy, Fulton's credit quality showed improvement.
- With a tangible common equity ratio of 9.1%, capital remains ample, providing the Company the ability to grow organically and through acquisitions.

Hancock Holding Company (Issuer & Senior Debt at A (low), Negative)

- Reflecting the full quarter impact of the Whitney acquisition (closed on June 4, 2011), and sizable merger-related expense, Hancock reported net income of \$30.4 million for 3Q11, up from \$12.1 million for 2Q11.
- On an operating basis, Hancock reported earnings of \$45.2 million for 3Q11, up from \$26.6 million for 2Q11. Operating earnings exclude merger related expenses of \$22.8 million and \$22.2 million for 3Q11 and 2Q11, respectively, and modest securities related gains/losses.
- Improved spread income, q-o-q, reflected a 67.1% increase in average earning assets and a 21 basis point (bps) widening of net interest margin (NIM) to an impressive 4.32%. The increase in average earning assets reflected the full quarter's impact of Whitney, as compared to just under one month for the prior quarter. Specifically, average loans, increased to \$11.2 billion for 3Q11 from \$6.7 billion for 2Q11 and average securities and short-term investments expanded to \$5.3 billion from \$3.2 billion.
- Positively, the Company did exhibit some organic commercial & industrial loan growth during the quarter.
- Although pressured by slow economic growth, Hancock's asset quality remains relatively sound.
- The Company maintains a substantial level of liquidity, as core deposits represented 122% of net loans (DBRS calculated, as of June 30, 2011).

Huntington Bancshares, Inc. (Issuer & Senior Debt at BBB, Stable)

- Despite macroeconomic headwinds, Huntington's earnings remain resilient. For 3Q11, the Company reported net income applicable to common shareholders of \$135.7 million, down modestly from \$138.2 million for 2Q11.
- The Company's higher provisions for loan loss reserves, q-o-q, reflected loan growth and Huntington's expectations of a protracted weak economy.
- Higher non-interest income was mostly driven by a \$15.5 million automobile loan securitization gain on sale, and to a lesser degree, higher deposit service charges and electronic banking income.
- Positively, Huntington reported 2.0% loan growth during 3Q11, as most categories, except for commercial real estate (CRE) and other consumer loans, expanded during the quarter.
- Huntington's credit quality continues to improve, despite slow economic growth. Specifically, NPAs declined by 6.0% to \$614 million and represented 1.57% of loans, at September 30, 2011, down from 1.67%, at June 30, 2011.
- During 3Q11, average core deposits expanded by 2.2% and reflected a better mix, as noninterest bearing deposits expanded by 12.0% and core certificates of deposits declined by 6%.

JPMorgan Chase & Co. (Issuer & Senior Debt at A (high), Positive)

- JPMorgan reported earnings of \$4.3 billion, a 22% decline from 2Q11. The decline in earnings was a result of the more difficult operating environment in the third quarter, especially for the Investment Bank (IB). As such, the Company's ratings are unchanged and the trend on JPMorgan's long term ratings remains Positive.
- Company-wide managed net revenues were \$24.4 billion in 3Q11, down from \$27.4 billion in 2Q11, and IBPT declined by 16% q-o-q to \$8.8 billion. Included in this quarter's results was a \$1.9 billion pre-tax DVA that benefited IB results. This was partially offset by a \$1.0 billion pre-tax addition to litigation reserves in Corporate and a \$542 million pre-tax loss for Private Equity that reflected net write-downs on private investments and lower valuations on public holdings.
- In line with prior guidance and largely driven by the more challenging environment, IB revenue and earnings declined from 2Q11. IB costs were well-controlled in DBRS's view, declining slightly less (12% vs. 13%) than total IB revenues in the quarter. Benefitting from the noted DVA, IB net income was \$1.6 billion, down \$421 million from 2Q11.
- JPMorgan's consumer businesses, Retail Financial Services (RFS) and Card Services & Auto (CSA), remain solid contributors to overall results. Behind the IB, RFS and CSA were the largest contributors to 3Q11 earnings and they were the largest in terms of IBPT. RFS earnings increased \$778 million q-o-q to \$1.2 billion. In CSA, the Company saw increased activity in cards with balances and spending up from the previous quarter and revenues increased modestly from 2Q11 to \$4.8 billion. This was offset, however, by higher operating expenses (driven by marketing) and a 34% q-o-q increase in the provision to \$1.3 billion, despite further improvement across credit metrics. As a result, CSA net income declined 24% from 2Q11 to \$849 million.
- JPMorgan's diverse earnings streams and its capacity to generate significant amounts of quarterly IBPT enable the Company to cope with uneven results in its businesses and build up reserves to absorb potential costs associated with litigation and mortgage rep and warranty expenses. In addition, JPMorgan's loan loss reserves remain solid as the Company saw further improvement in Cards and across its legacy home lending portfolios in 3Q11, though DBRS notes that the pace of improvement did slow somewhat in the quarter. Reflecting this, and an appropriate level of conservatism in DBRS's view, the Company maintained its allowance for loan losses at \$28.4 billion (2Q11: \$28.5 billion).
- In DBRS's view, underlying trends, including strong deposit growth and additional commercial loan growth, were mostly positive in 3Q11 and highlight the strength of JPMorgan's global franchise. DBRS views the Company's success in advancing its franchise and sustaining its solid financial results as demonstrating JPMorgan's ability to cope with the challenging environment. If the current performance trajectory is maintained, DBRS anticipates a one notch upgrade may occur within the next 18 months.

KeyCorp (Issuer & Senior Debt at BBB (high), Stable)

- For the quarter, Key reported net income available to common shareholders of \$212 million, down \$22 million from 2Q11. Net income from continuing operations was \$234 million in 3Q11, down from \$249 million in the prior quarter.
- DBRS sees this quarter's results, though down from 2Q11, as reflective of mostly positive trends. Most credit metrics continue to improve, benefiting from the Company's aggressive exit of higher risk lending activities and a conservative approach to credit resolution. In addition, the Company's costs remain well-managed and, importantly, Key reported q-o-q growth in total loans for the first time since 3Q08 and Commercial, Financial and Agricultural loans increased for the second consecutive quarter, registering noteworthy growth of 5.7% in 3Q11.
- DBRS views positively that Key reported total revenues of \$1.0 billion for 3Q11 that were up \$14 million from 2Q11. Still, DBRS notes that reported third quarter revenues included a

\$13 million gain related to the redemption of certain capital securities in the quarter. Key was also able to report a modest increase in IBPT in 3Q11. Third quarter IBPT was \$346 million compared to \$344 million in 2Q11.

- Credit quality improvement was again evident in third quarter results. NCOs fell for the seventh consecutive quarter, 18.7% from 2Q11 to \$109 million, and as a percentage of loans, 3Q11 NCOs declined 21 bps to 0.90%. NPAs declined for an eighth consecutive quarter as new loans placed on nonaccrual status were down 28.9% from 2Q11 to \$292 million. As a percentage of loans plus OREO, NPAs were 1.89% at September 30, down 9 bps from 1.98%.
- The Company continued to strengthen its already solid core capital levels in the third quarter. At the end of 3Q11, Key's Tier 1 common ratio stood at 11.34%, up 20 bps from the prior quarter, and its tangible common equity ratio grew another 15 bps sequentially to 9.82%.

M&T Bank Corporation (Issuer & Senior Debt at A (low), Negative)

- Despite significant noise, M&T's earnings remain resilient. M&T reported net income available to common shareholders of \$164.7 million for 3Q11, as compared to \$297.2 million for 2Q11. Much of the swing in earnings reflected the impact of the acquisition of Wilmington Trust (Wilmington).
- DBRS notes that the last two quarters reflected several significant non-core items. In 3Q11, the Company reported \$26 million (pre-tax) in merger related expenses and \$9.6 million of other than temporary impairment (OTTI) charges. During 2Q11, M&T reported \$110.7 million (pre-tax) of securities gains related to the repositioning of its balance sheet and a \$65 million non-taxable gain related to the Wilmington acquisition. Moreover, 2Q11 results reflected \$37 million (pre-tax) of merger related expenses and \$26.5 million of OTTI charges.
- Higher linked-quarter spread income reflected a 6.0% increase in average earning assets, partially offset by a 7 basis point narrowing of NIM to a still solid 3.68%.
- Although M&T's expenses were elevated, due to merger related costs and the layering in of Wilmington's expense base, DBRS anticipates that the Company's future expenses will be well controlled.
- Although still pressured by the protracted slow growing economy, M&T's asset quality remains sound.

New York Community Bancorp Inc. (Issuer & Senior Debt at BBB (high), Stable)

- Despite the difficult operating environment, NYB's earnings remain resilient. Reflective of the Company's sizable increase in mortgage banking income, low cost business model and several non-core items, net income increased slightly to \$119.7 million for 3Q11, from \$119.5 million for 2Q11.
- DBRS notes that the last two quarters reflected several non-core items. In 3Q11, the Company reported \$6.7 million in net securities gains. During 2Q11, NYB reported \$18.7 million in net securities gains, a \$9.8 million gain on sale of business and \$7.6 million of FDIC indemnification income, which more than offset an \$18.1 million OTTI related charge.
- The significant decrease in credit cost was attributable to the non-recurrence of the Company's 2Q11 \$8.7 million of provisions for covered loans. DBRS notes that a loss share agreement with the FDIC offsets covered loan provisions.
- The Company's expense base is well managed, as its broker driven multifamily and CRE lending platform drives a low cost business model.
- Despite the protracted slow growing economy, NYB's asset quality remains sound and credit costs manageable.

Northern Trust Corporation (Issuer & Senior Debt at AA (low), Stable)

- The Company reported net income of \$170.4 million for the quarter, up from \$152.0 million in 2Q11 and \$155.6 million in 3Q10. Excluding restructuring, acquisition and integration related expenses, net income would have been \$173.3 million compared to \$170.8 million in 2Q11, which is typically the strongest quarter of the year.
- Highlights of the quarter include continued strong net new business wins evidencing the Company's franchise strength, revenue growth, a \$15.6 million sequential quarter decline in credit-related other-than-temporary-impairment charges and higher credit costs. Moreover, solid expense discipline resulted in non-interest expense (excluding current and prior quarter operating expenses associated with recent acquisitions, and restructuring, acquisition and integration related expenses) declining by 2%.
- Revenues continue to be adversely impacted by the low interest rate environment, client risk aversion, and slow economic growth that have again pressured equity market valuations. Even against this challenging operating backdrop, revenues increased 3% to \$971.5 million benefiting from recent acquisitions and net new business wins.
- Declines in the equity markets caused assets under custody and assets under management to fall 6% each to \$4.2 trillion and \$644.2 billion, respectively.
- Important market-sensitive fees were mixed in the quarter. Securities lending revenues of \$20.7 million were down 10.2% from the seasonally strong 2Q11 international dividend season. Meanwhile, foreign exchange trading actually increased 8% to \$87.2 million on higher volatility and volume.
- Despite higher credit costs, asset quality is not a ratings concern, especially considering the Company's loan loss reserves and strong capital position.
- DBRS expects Northern Trust to maintain its robust capital position even as it pursues additional acquisitions to add capabilities or clients to its existing businesses.

People's United Financial, Inc. (Issuer & Senior Debt at A (low), Stable)

- People's reported net income of \$52.9 million for the quarter, up from \$51.2 million in the previous quarter and from \$24.1 million in 3Q10. Positively, operating earnings, which excludes merger-related expenses and other one-time charges, were \$67.3 million in 3Q11 compared to \$57.3 million in 2Q11.
- Highlights of the strong quarter include robust organic loan and deposit growth, solid expense control, a stable margin and improving asset quality.
- DBRS notes that all recent acquisitions (Danvers marks the fourth conversion completed in 2011) have now been successfully converted onto the Company's core operating system without any material issues, so management can now solely focus on optimizing its business mix including offering the Company's broader set of products to its acquired customer base.
- DBRS expects continued credit outperformance relative to most banking peers given the Company's conservative underwriting culture and a franchise footprint that resides in the relatively healthier northeast region.
- Following the impact on capital from the Danvers acquisition, a high dividend payout ratio and share repurchases, capital metrics declined, yet remain robust. Specifically, the Company's tangible common equity ratio was 12.5%, down from 13.9% in 2Q11.
- People's has applied for a national bank charter to better reflect its business mix.

PNC Financial Services Group, Inc. (Issuer & Senior Debt at A (high), Stable)

- PNC reported net income of \$834 million for 3Q11, down 8.6% from the second quarter, which benefited from a one-time benefit that lowered the effective tax rate. On a pre-tax basis, PNC's 3Q11 earnings were down just \$3 million from 2Q11 to \$1.1 billion.
- The Company saw good client growth in Corporate & Institutional Banking and was able to grow loans and commitments again in the third quarter. PNC also added 95,000 new retail

checking accounts in the quarter, up from 74,000 last quarter, and reported some consumer loan growth in the period. These sustained positive underlying trends supported a solid performance for PNC in an environment where core revenue growth has proven to be elusive for most banks. The Company reported 3Q11 revenues of \$3.5 billion that were down \$58 million from 2Q11 levels.

- The Company's acceptable revenue performance in a challenging environment, combined with well-managed expenses, down 1.7% q-o-q, resulted in PNC reporting income before provisions and taxes of \$1.4 billion for 3Q11, down \$22 million from 2Q11.
- PNC's credit metrics continued to improve in the third quarter. Earnings benefited from a provision for credit losses that, at \$261 million, was down 6.8% from 2Q11 and \$104 million below 3Q11 NCOs. Excluding purchased impaired loans, NPAs declined 4.1% q-o-q to \$4.3 billion and represented 2.77% of total loans plus OREO.
- PNC reported a Tier 1 common ratio of 10.5% at September 30, unchanged from the end of 2Q11. The estimated Tier 1 ratio was up 30 bps q-o-q to 13.1%, driven by the issuance of preferred stock in the quarter.

Regions Financial Corporation (Issuer & Senior Debt at BBB, Negative)

- Regions reported its fourth consecutive quarterly profit, featuring earnings of \$155 million in the quarter, representing a \$46 million increase from 2Q11 but a more substantial improvement over the \$155 million loss in 3Q10. Regions' revenues (excluding security gains) were \$1.6 billion, down 1.0% from 2Q11 and 0.7% from 3Q10 as net interest income remained stable under pressure. Net income primarily benefited from an 11% (\$132 million) decline in non-interest expense and a 10.8% (\$43 million) quarterly decline in the provision for loan losses. The expense decline, when adjusted for the \$77 million branch consolidation charge taken in 2Q11, would still be a 4.9% or \$55 million decline.
- Importantly for DBRS, provisioning is down considerably from peak levels and continues to improve, yet also continues to consume most of IBPT and underscores the need for additional progress. In 3Q11, the \$355 million provision represented 66% of the quarterly adjusted IBPT of \$540 million, but reflected progress relative to the 80% result in the second quarter, and is noteworthy as the second quarter below 100% since 1Q09.
- Positively, C&I commitments have increased 3% in 3Q11 and have grown for 6 consecutive quarters. Average C&I loans increased for the fifth consecutive quarter, up 1.9% (\$447 million) from 2Q11 and line utilization was up to 43% in 3Q11, up from about 42% in 2Q11, but still well below the normal range in the high 40's.
- DBRS notes that most asset quality metrics improved in the quarter including NPAs, 90+ day past dues and business classified and special mention loans. Of concern, however, NPA inflows rose nearly 33% or \$203 million in the quarter while the overall rate of credit quality improvement seemed to be slowing as evidenced by the flat quarterly rate of 30 to 89 past due loans at 1.05%. DBRS notes that the Company advised caution in its comments around asset quality given the struggling economy, but it did guide to lower future provisions, but perhaps at a slowing pace.
- The Company's current estimated Tier 1 common equity ratio of 8.16% was up 21 bps over the quarter, the estimated Tier 1 ratio of 12.8% improved 27 bps, and the tangible common equity to tangible assets ratio rose 30 bps to 6.48%. The Company reported a pro-forma Basel III Tier 1 Common Capital ratio of 7.7% and is well-positioned with respect to the LCR liquidity requirement. DBRS is also mindful that Regions' \$3.5 billion of TARP preferred shares remained outstanding in 3Q11.

State Street Corporation (Issuer & Senior Debt at AA (low), Stable)

- On an operating basis, State Street reported net income available to common shareholders of \$476 million in 3Q11 that was relatively flat to the \$483 million recorded in the prior quarter. The third quarter results reflected a 1.4% decline from 2Q11 and included a net tax

benefit of \$107 million related to a restructuring of former non-U.S. conduit assets and excluded \$85 million related to acquisition and restructuring costs.

- Total revenue declined modestly by 2.4% or \$60 million, sequentially, to \$2.4 billion with fee revenues down approximately 2.5% (\$48 million). Weaker equity markets and average equity valuations resulted in the slightly lower total fee revenue of \$1.8 billion.
- AUC/A compressed 5.5% sequentially to \$21.5 trillion driven by a general asset value contraction in the equity markets.
- State Street's operating-basis expenses declined 2.5% from 2Q11 to \$1.7 billion for 3Q11, resulting in a positive operating leverage compared to the prior quarter.
- The Company's Business Operations and IT transformation program remains on track to deliver an annual pre-tax run-rate expense savings of approximately \$600 million by the end of 2014, with the full effect achieved in 2015. State Street anticipates achieving about one-third or \$200 million of the expected net benefits by the end of 2012.
- Though capital metrics softened QoQ due primarily to growth in risk-weighted assets, the Company's capitalization remains strong including a top-tier estimated Basel I Tier 1 Common ratio of 16.0% at quarter end. Tier 1 capital, Total capital, and Tier 1 leverage ratios stood at 18.0%, 19.6% and 7.8%, respectively, at 3Q11. Under Basel III, State Street estimates its Tier 1 Common ratio to be 11.7% while Tier 1 capital, Total capital, and Tier 1 leverage ratios would be 12.8%, 14.5% and 6.0%, respectively, at 3Q11.

SunTrust Banks, Inc. (Issuer & Senior Debt at A (low), Stable)

- In 3Q11, SunTrust reported net income available to common shareholders of \$211 million that reflected a 21% improvement from \$174 million reported in the prior quarter, driven primarily by a loan loss reserve release and higher loan balances. SunTrust's 3Q11 earnings continued to reflect subdued revenue generation that benefited from lower cost deposit growth and improved credit trends.
- Net interest income of \$1.3 billion remained unchanged essentially from 2Q11, increasing 1% or \$7 million from an additional day in the quarter and from lower cost funding. Adjusted fee-based income declined by \$21 million with Investment Banking revenue down \$27 million QoQ due to lower transaction volumes, while mortgage servicing revenue declined 19% to \$58 million.
- SunTrust has a below peer efficiency ratio, which was approximately 70% in the third quarter, adjusted for non-recurrent items. In 3Q11, costs were up with the 1% sequential increase in expenses to \$1.6 billion, due primarily to a \$19 million increase in mortgage-related costs, including higher operating losses related to mortgage servicing.
- SunTrust's balance sheet expanded in 3Q11 with growth in earning assets driven by modest loan growth and a favorable shift in the deposit mix. Average loans increased 1% to \$115.6 billion compared to the prior quarter, with growth of \$1.1 billion or 2% concentrated in C&I loans.
- Asset quality metrics showed continued improvement with all credit metrics declining over the quarter. NPLs declined for the ninth consecutive quarter, decreasing 10% sequentially to \$3.2 billion or 2.76% of total loans.
- Capitalization remains solid in the quarter as Tier 1 common equity ratio was increased by 5 bps to 9.25%. The Tier 1 risk-based capital ratio stood at 11.05%, modestly lower by 5 bps QoQ due to the reduction in trust preferred securities and the impact of loan growth on risk-weighted assets.

SVB Financial Group (Issuer & Senior Debt at BBB (high), Positive)

- SVB reported net income available to common stockholders of \$37.6 million for the quarter, down from \$65.8 million in the previous quarter and from \$37.8 million in 3Q10. DBRS notes that in 2Q11, SVB had \$37.3 million (\$22.5 million after-tax) in investment securities gains and net gains of \$3.1 million (\$1.9 million after-tax) from the early extinguishment of

debt and the termination of corresponding interest rate swaps. Excluding these items, net income of \$37.6 million was down less dramatically from \$41.4 million in 2Q11 primarily reflecting lower warrant gains.

- SVB delivered another solid quarter with strong loan and deposit growth, while excellent asset quality resulted in net recoveries for the quarter.
- Positively, DBRS notes that 3Q11 was the Company's second best quarter ever in its history in terms of early stage client acquisition. Moreover, SVB expects to receive its U.K. banking license towards the end of the year and the Company also received approval for its China joint venture. While the JV approval is an important step, SVB will not see any meaningful contribution from its efforts in China over the intermediate term.
- DBRS notes that the large securities portfolio represents approximately 50% of total assets, but management has remained very conservative by purchasing high quality, low-risk securities without chasing yield. Indeed, the duration of available-for-sale portfolio was only 1.6 years.
- Non-interest income (net of noncontrolling interests and excluding available-for-sale securities gains) declined to \$54.4 million from \$59.8 million, as lower warrant gains more than offset higher gains on investment securities.
- After having the Bank's leverage ratio pressured by the significant growth in the balance sheet caused by the huge influx in deposits, the Company has now increased the Bank's leverage ratio in the past three quarters through retained earnings.

UnionBanCal Corporation (Issuer & Senior Debt at 'A', Stable)

- The Company reported net income attributable to UB of \$172 million, down from \$242 million in the previous quarter, but up from \$170 million in 3Q10.
- Highlights of the quarter include solid loan and deposit growth, but margin pressure, a smaller benefit from the provision for credit losses, virtually no securities gains, and a material decline in other income (reflecting an accretion adjustment associated with covered FDIC assets) that together resulted in lower sequential net income.
- Following 3Q11, The Bank of Tokyo-Mitsubishi UFJ, Ltd., UB's parent, transferred its trust company to UB, which increased assets by over \$900 million and over \$700 million of Tier 1 common capital. DBRS views this transaction positively, as the transaction contributes to higher levels of profitability, liquidity and capital.
- Asset quality (excluding covered loans) metrics remain relatively solid. While absolute levels of nonperforming assets (NPAs) increased by \$12 million to \$690 million, loan growth resulted in NPAs as a percentage of total loans held for investment and OREO to fall to 1.38% from 1.42% in 2Q11.
- With the allowance for loan losses down to 1.51% of total loans held for investment compared to 2.76% a year ago, DBRS does not expect material reserve releases going forward, especially if loan growth continues.
- Even with earning asset growth, capital metrics remained relatively stable in the quarter and are strong. Indeed, a 10.10% tangible common equity ratio provides the Company with significant capital flexibility to pursue acquisitions and organic growth opportunities.

U.S. Bancorp (Issuer & Senior Debt at AA, Stable)

- USB reported net income of \$1.3 billion, up 6% from 2Q11. In DBRS's view, USB's solid third quarter results highlight the strength of the Company's franchise. Despite the more difficult environment, USB was able to grow revenues and income before provisions and taxes (IBPT) on a linked quarter basis and generate positive operating leverage. The Company generated record quarterly revenues of \$4.8 billion and record net income. IBPT for the third quarter was \$2.3 billion, up \$54 million from 2Q11. In addition, credit continued to improve, resulting in a 9% decline in provisions from 2Q11 to \$519 million.

- Third quarter results also evidenced strong underlying balance sheet trends, including 5% growth in average low-cost deposits as well as another quarter of average loan growth. Average total deposits grew \$6.0 billion q-o-q to \$215.4 billion, and USB reported particularly strong growth in average non-interest-bearing deposits, which grew 20% from 2Q11 to \$58.7 billion.
- Total NCOs of \$669 million declined 10% q-o-q and were 1.31% of average total loans. Nonperforming assets, excluding covered assets, fell by 7% from June 30, to \$3.0 billion. Early stage delinquencies, 90+ day delinquencies and criticized assets all also improved relative to 2Q11, supporting a provision that was 78% of quarterly NCOs. The dollar amount of the reserve release did decline relative to 2Q11 as leading indicators for consumer portfolios have started to stabilize after several quarters of more rapid improvement.
- Reflecting its capital strength and indicative of its capital generation ability, the Company's tangible equity and Tier 1 Common capital ratios both improved in the quarter. Though the Company will likely be subject to a SIFI buffer, DBRS believes that USB will be less impacted by Basel III than larger U.S. banks given its limited capital markets activities and its comparatively small mortgage servicing business.
- The Company estimates that at the end of 3Q11, its Tier 1 Common ratio under Basel III was 8.2%, just 30 bps below its Basel I Tier 1 common ratio of 8.5%. USB repurchased some 13 million shares in 3Q11 and reiterated that its long term plan is to distribute 60% to 80% of its earnings to its shareholders in the form of dividends and buybacks. Nonetheless, DBRS sees USB's current capital levels as providing substantial loss absorption capacity.

Webster Financial Corporation (Issuer & Senior Debt at BBB, Stable)

- Reflecting materially lower expenses and stable credit costs, partially offset by a slight decline in total revenues, Webster's net income available to common shareholders expanded to \$41.5 million for 3Q11, from \$33.4 million for 2Q11.
- The sizable q-o-q decline in Webster's expenses was attributable to both core and non-core elements. Excluding non-core items, including severance, branch and facility optimization expenses and a 2Q11 write-down for expedited asset disposition, Webster's expenses contracted by a solid 4.9%, q-o-q.
- Positively, loan growth continued to pick-up across several categories. Specifically, C&I, asset based lending (ABL) and CRE loans modestly increased during the quarter.
- Positively, Webster's credit quality metrics continue to improve, as NPAs and classified assets declined during the quarter.
- Webster's funding profile remains sound and is underpinned by an ample core deposit base that accounts for approximately 118% (DBRS calculated) of net loans, as of June 30, 2011.

Wells Fargo & Company (Issuer & Senior Debt at AA, Stable)

- Wells Fargo reported record earnings of \$4.1 billion in the quarter, a 21% increase from 3Q10 and 3% increase from 2Q11; however IBPT of \$8.0 billion decreased nearly 8% from 3Q10 and increased 0.5% from 2Q11.
- Company-wide net revenues were \$19.6 billion, down 3.9% from 2Q11 and down 6.0% from 3Q10.
- Pressure on earning asset yields over the year has outstripped both earning asset growth and lower funding costs resulting in lower net interest income. Lower non-interest income reflected primarily a large swing from trading gains to a loss in 3Q11 (some of which were offset by expense savings) and lower equity investment gains compared to an outsized 2Q11 while weaker trust and investment and insurance fees were only partially offset by higher mortgage banking fees, service charges, and card fees gains over the quarter.
- The allowance for credit loss declined \$890 million, marking the sixth consecutive quarterly decline and included an \$800 million reserve release as charge-offs declined for a seventh

consecutive quarter. Asset quality metrics improved across the board, albeit at a slowing pace while PCI loans continued to perform better than expected.

- End of period gross loans were up \$8.2 billion, or 1.1%, as the Company generated loan growth, primarily in commercial lending. Core loans, excluding \$5.3 billion in the non-strategic/liquidating portfolio, actually grew \$13.5 billion of which \$12.4 billion was organic growth.
- The Company continues to build capital organically with an estimated Tier 1 ratio of 11.28% (down due to trust preferred redemptions) and a Tier 1 Common ratio of 9.35%, up 20 bps, or \$3.1 billion, in 3Q11. The Company also reported an estimated Basel III Tier 1 Common ratio of 7.41% which puts it well on the way toward compliance when the final guidelines are announced.

<i>All U.S. Banks with Assets Greater than US\$ 5 Billion</i>			
Large Banks	Large Regional Banks	Smaller Regional/Community Banks	Trust Banks
Bank of America Corporation	U.S. Bancorp	Associated Banc-Corp	Bank of New York Mellon Corporation
JPMorgan Chase & Co.	PNC Financial Services Group, Inc.	Astoria Financial Corporation	State Street Corporation
Citigroup Inc.	Capital One Financial Corporation	Bank of Hawaii Corporation	Northern Trust Corporation
Wells Fargo & Company	SunTrust Banks, Inc.	BOK Financial Corporation	
	BB&T Corporation	City National Corporation	
	Regions Financial Corporation	Cullen/Frost Bankers, Inc.	
	Fifth Third Bancorp	FirstMerit Corporation	
	KeyCorp	First Midwest Bancorp, Inc.	
	UnionBanCal Corporation	Hancock Holding Company	
	M&T Bank Corporation	New York Community Bancorp, Inc.	
	Huntington Bancshares Incorporated	Old National Bancorp	
	Comerica Incorporated	Pacific Capital Bancorp	
	Zions Bancorporation	People's United Financial, Inc.	
	BMO Bankcorp, Inc.	RBC Bank (USA)	
	HSBC Bank USA, NA	Susquehanna Bancshares, Inc.	
	TD Bank US Holding Company	SVB Financial Group	
	Citizens Financial Group, Inc.	Valley National Bancorp	
		Webster Financial Corporation	
		Fulton Financial Corporation	

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