

Credit Risk Shielding in Bankers' Pay

Yadav Gopalan, University of Notre Dame and St. Louis Fed;
Arthur Morris, HKUST

15 July 2026

Disclaimer:

None of the views expressed in this presentation are those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

Credit Risk Shielding in Bankers' Pay

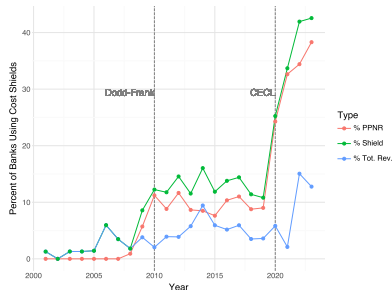
The Potentially Unintended Consequences of Regulatory Emphasis on Pre-Provision Net Revenue (PPNR)

Preview of Results:

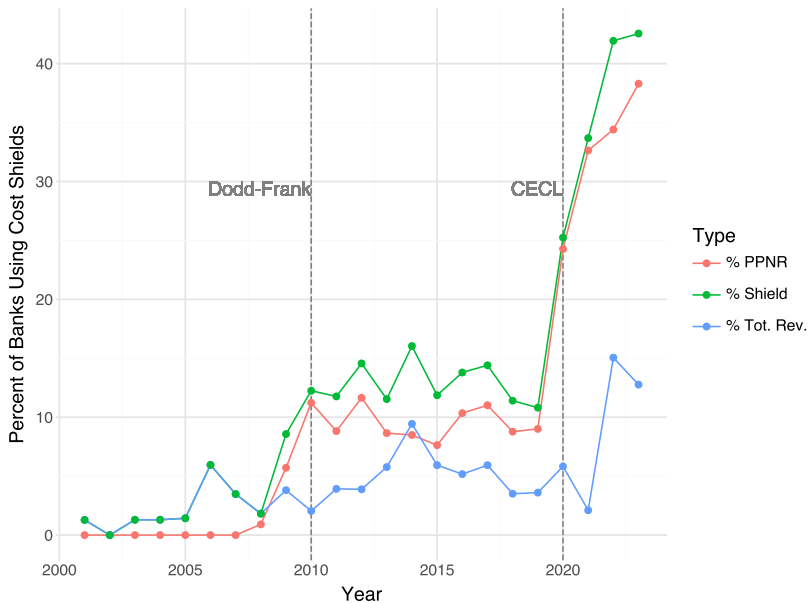
1. **PPNR is increasingly used in banker's pay.**
 - ▶ *PPNR removes the effect of credit losses from net income, shielding from credit risk.*
2. **Regulatory attention is positively associated with PPNR use.**
3. **PPNR use is associated with higher bank risk and lower reporting quality.**

Pre-Provision Net Revenue (PPNR): An Increasing Determinant of Banker's Pay

- ▶ Cost/risk shielding since the beginning of the sample (2001, blue line).
- ▶ PPNR use begins in 2008 (red line).
- ▶ PPNR use approx. 10% 2010 (Dodd-Frank/DFAST) to 2020 (CECL).



Pre-Provision Net Revenue (PPNR): An Increasing Determinant of Banker's Pay



Research questions:

1. Why is PPNR in Banker's Pay?
2. How do regulators view this use of PPNR?
3. What are the consequences for bank risk, systemic risk, and bank reporting quality?

What is PPNR and why is it in banker's pay?

- ▶ After the 2008-2009 financial crisis, federal regulators created the stress test architecture to ensure resilience in the banking system.
 - ▶ Stress testing:
 1. Scenario-based tests of capital adequacy.
 2. Gives regulators a framework for requiring banks to recapitalize.
 3. Based on forecasted pre-tax net income, which has three components:
 - ▶ Net interest income,
 - ▶ Net non-interest income,
 - ▶ Provision for credit losses (expense).

What is PPNR and why is it in banker's pay?

The stress test architecture is based on pre-tax net income:

Interest Revenue

– Interest Expense

+ Non-Interest Revenue

– Non-Interest Expense

Pre-Provision Net Revenue

– Provision for Credit Losses

Pre-Tax Net Income

- ▶ The PPNR component and the Credit Loss component are modeled separately (DFAST 2013, pp. 9).
- ▶ PPNR strips out LLP; and losses on securities, trading, and loans held for sale.

What is PPNR and why is it in banker's pay?

- ▶ Even though PPNR is non-GAAP, the regulatory system codified and standardized this measure.
- ▶ Prior research confirms that certification of non-GAAP performance measures increases their usefulness for other purposes (Feng, et al. 2023; Anderson, et al., 2022).

What is PPNR and why is it in banker's pay?



SUNTRUST

*"The Committee added the PPNR Opportunity in order to drive growth in PPNR. PPNR is the sum of net interest income and noninterest income, less expenses (other than the provision expense). **Growing PPNR is a way to increase operating leverage by focusing on quality revenue and is a measure used by our regulator in the capital planning process**"*

What is PPNR and why is it in banker's pay?



"The Compensation Committee... included an additional performance metric tied to PPNR for 2020."

*"The Compensation Committee believed that the addition of a PPNR component would also better position the Company for improved results... With **the PPNR component, participants were again incented to gather more clients, more loans and more deposits, operate more efficiently and increase the operating momentum of the Company.**"*

What is PPNR and why is it in banker's pay?

Is this driven by the bank itself, or by the regulator?

1. Bank Incentives:

- ▶ The controllability principal: Make the manager responsible for things under her control, i.e. new risks/costs not old risks. À la cost shielding (Bloomfield et al. 2021).
- ▶ The Loan Loss Provision is a large and noisy (esp. post-CECL) accrual. Lowers the risk premium for risk averse managers.

2. Regulatory attention:

- ▶ Regulators use this as a key measure of bank performance.
- ▶ Unintended use as a measure of *managerial* performance.
- ▶ **Unintended consequence: Credit risk shielding in banker's pay.**

Data

- ▶ Traditional datasets do not cover specialized performance metrics, especially in the banking industry, where these incentives often have far-reaching consequences (Arif et al. 2024)
- ▶ No prior research on banker's pay acknowledges that a substantial portion of banks have been filtering the impact of LLP on income since the financial crisis
 - ▶ 1 in 10 since 2010 (Dodd-Frank/DFAST).
 - ▶ 3 in 10 since 2022 (post-CECL).
- ▶ We collect a bank-year index of whether banks' Def-14A filings include PPNR in their compensation discussions.
- ▶ Throughout we measure variables at the top management team level, with data from Execucomp, other variables are from CRSP and the Y9-C filings.

Regulatory Attention and PPNR use: Empirical Approach

Hirtle et al. (2020):

- ▶ Use regulatory data to show:
 1. Regulatory attention is positively related to size. Argue that this is as designed.
 2. Regulatory attention is discontinuous at the top 5 banks in each Fed District by size. Argue that this is exogenous to bank characteristics.
- ▶ Validate an empirical approach to isolate exogenous regulatory attention:
 1. Indicator variable equal to 1 if the bank is in the top 5 by size in its Fed District.
 2. Control for size and other bank characteristics. We add controls for total compensation, equity portfolio incentives, and incentives for safety and soundness (Arif et al, 2024).
 3. Include District-Time fixed effects to control for unobserved heterogeneity across Fed Districts and over time.

Allows us to exploit the fact that there are, for example, large banks in the FRBNY district that are not in the top 5, and small banks in the FRBMN district that are in the top 5.

Table 4: High Reg. Attn. & PPNR use

Result:

- ▶ *Reg. Attn.* is positively associated with PPNR use.
- ▶ PPNR use is influenced by regulator's preferences.

	(1) <i>Has PPNR_{t+1}</i>	(2) <i>Has PPNR_{t+1}</i>
High Reg. Attn.	0.098*** (2.64)	0.087** (1.99)
Pay-for-Prudence		0.024 (0.94)
ln(Vega)		-0.140* (-1.90)
ln(Delta)		0.056 (1.28)
Total Compensation		0.001 (0.59)
Return Variance		0.003** (2.37)
Stock Return		0.052* (1.70)
Loan/Assets		0.248*** (2.75)
Tier 1 Capital Ratio		0.574 (1.42)
Deposits/Liabilities		0.162 (1.47)
ln(Entities)		0.023 (1.51)
ln(Assets)		0.014 (0.77)
Year FE	Yes	No
Year × Fed. Dist. FE	No	Yes
<i>N</i>	2,078	2,077
Adj. <i>R</i> ²	0.13	0.21

Table 4: High Reg. Attn. & PPNR use

	(1) <i>Has PPNR_{t+1}</i>	(2) <i>Has PPNR_{t+1}</i>
High Reg. Attn.	0.098*** (2.64)	0.087** (1.99)
Pay-for-Prudence		0.024 (0.94)
ln(Vega)		-0.140* (-1.90)
ln(Delta)		0.056 (1.28)
Total Compensation		0.001 (0.59)
Return Variance		0.003** (2.37)
Stock Return		0.052* (1.70)

Alternative explanations for PPNR use:

- ▶ Cost/Risk shielding for contractual efficiency should be most salient after turnover, and for young executives (i.e. lower tenure)
 - ▶ *Turnover*: Indicator variable equal to 1 in the first year of a new CEO. We use the CEO because the other executives may drop out of Execucomp due to the reporting requirements of the Def-14A (i.e. only top 5 highest paid).
 - ▶ $Turnover > 0$: new executives are shielded from predecessors.
 - ▶ *Old*: Indicator variable equal to one if the executive team's average age is above the annual sample median.
 - ▶ $Old < 0$: either young executives are shielded from predecessors or more risk averse.

Table 9 Panel A: Turnover.

Result:

- ▶ No evidence that turnover is associated with PPNR use.
- ▶ Inconsistent with the practice of shielding new CEOs from credit risk incurred by their predecessors.

	(1)	(2)
	<i>Has PPNR_{t+1}</i>	<i>Has PPNR_{t+1}</i>
High Reg. Attn. × CEO Turnover	0.002 (0.03)	-0.015 (-0.29)
CEO Turnover	0.002 (0.08)	0.002 (0.09)
High Reg. Attn.	0.098*** (2.65)	0.088** (2.01)
Pay-for-Prudence		0.024 (0.94)
ln(Vega)		-0.140* (-1.90)
ln(Delta)		0.056 (1.28)
Total Compensation		0.001 (0.59)
Return Variance		0.003** (2.36)
Stock Return		0.052* (1.71)
Tier 1 Capital Ratio		0.575 (1.42)
Deposits/Liabilities		0.162 (1.47)
ln(Entities)		0.023 (1.50)
Loan/Assets		0.249*** (2.76)
ln(Assets)		0.014 (0.79)
Year FE	Yes	No
Year × Fed. Dist. FE	No	Yes
<i>N</i>	2,078	2,077
Adj. <i>R</i> ²	0.13	0.21

Table 9 Panel A: Turnover.

	(1) <i>Has PPNR_{t+1}</i>	(2) <i>Has PPNR_{t+1}</i>
High Reg. Attn. × CEO Turnover	0.002 (0.03)	-0.015 (-0.29)
CEO Turnover	0.002 (0.08)	0.002 (0.09)
High Reg. Attn.	0.098*** (2.65)	0.088** (2.01)
Pay-for-Prudence		0.024 (0.94)
ln(Vega)		-0.140* (-1.90)
ln(Delta)		0.056 (1.28)
Total Compensation		0.001 (0.59)
Return Variance		0.003** (2.36)
Stock Return		0.052* (1.71)

Table 9 Panel B: Age.

Result:

- ▶ No evidence that CEO age is associated with PPNR use.
- ▶ Inconsistent with the practice of shielding changing with CEO age-related risk appetite or tenure.

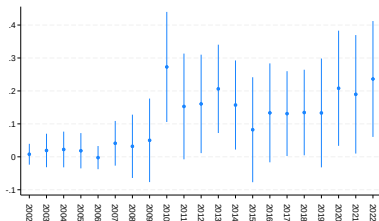
	(1) <i>Has PPNR_{t+1}</i>	(2) <i>Has PPNR_{t+1}</i>
High Reg. Attn. × Old	-0.029 (-0.61)	-0.006 (-0.12)
Old	-0.015 (-0.80)	0.004 (0.16)
High Reg. Attn.	0.114** (2.44)	0.090* (1.71)
Pay-for-Prudence		0.024 (0.94)
ln(Vega)		-0.140* (-1.90)
ln(Delta)		0.056 (1.25)
Total Compensation		0.001 (0.60)
Return Variance		0.003** (2.37)
Stock Return		0.052* (1.71)
Tier 1 Capital Ratio		0.576 (1.43)
Deposits/Liabilities		0.163 (1.52)
ln(Entities)		0.023 (1.50)
Loan/Assets		0.249*** (2.75)
ln(Assets)		0.014 (0.77)
Year FE	Yes	No
Year × Fed. Dist. FE	No	Yes
<i>N</i>	2,078	2,077
Adj. <i>R</i> ²	0.13	0.21

Table 9 Panel B: Age.

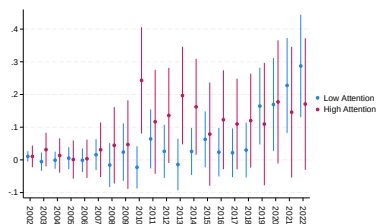
	(1)	(2)
	<i>Has PPNR_{t+1}</i>	<i>Has PPNR_{t+1}</i>
High Reg. Attn. $\times$ Old	-0.029 (-0.61)	-0.006 (-0.12)
Old	-0.015 (-0.80)	0.004 (0.16)
High Reg. Attn.	0.114** (2.44)	0.090* (1.71)
Pay-for-Prudence		0.024 (0.94)
ln(Vega)		-0.140* (-1.90)
ln(Delta)		0.056 (1.25)
Total Compensation		0.001 (0.60)
Return Variance		0.003** (2.04)

Regulatory Attention over time.

Plot of Year Effects:



By High Reg. Attn.:



Regulatory Attention over time (Plot of Year Effects).

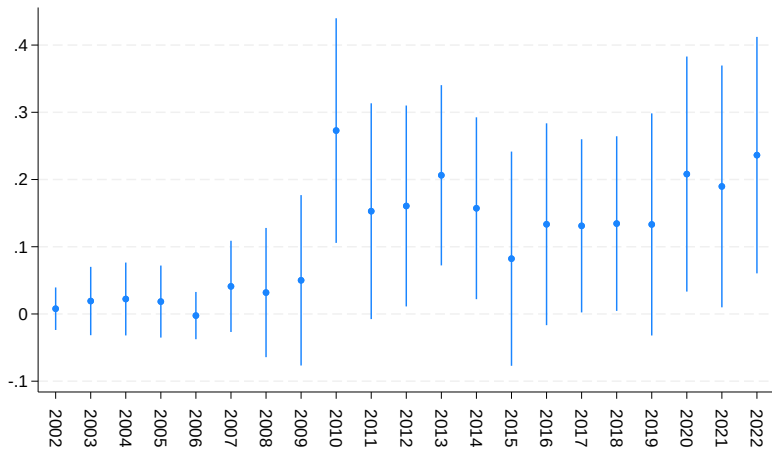


Figure 1: Movement with DFAST and CECL

Regulatory Attention over time (By High Reg. Attn.).

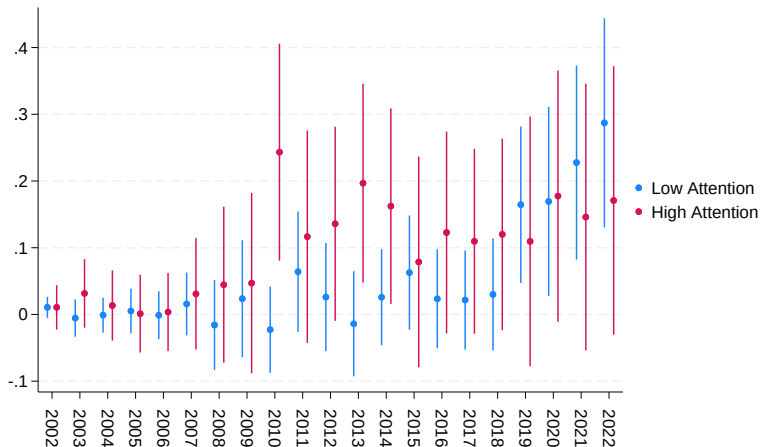


Figure 2: High Attn. moves with DFAST, Low Attn. moves with CECL.

Regulator's view.

How do regulators view the use of PPNR in banker's pay?

- ▶ We gather non-public information on the regulators ratings of the banks in our sample.
- ▶ Here we report the contemporaneous RFIC(D) rating of the bank by the regulator.

RFIC(D) Rating Components:

- ▶ *R-Rating*, the risk management component.
- ▶ *F-Rating*, the financial condition component.
- ▶ *I-Rating*, the potential impact of the bank holding company and nondepository subsidiaries of on the subsidiary depository institutions of the bank holding company;
- ▶ *D-Rating*, the rating (CAMELS) of the depository institutions held by the bank holding company.

Note: the "C" in RFIC(D) stands for "composite" and the "D" in parentheses indicates that the rating is for the depository institutions.

Regulator's view: pr(Downgrade)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Composite Rating		R-Rating		F-Rating		I-Rating		D-Rating	
Has PPNR	0.136*** (2.72)	0.009 (0.21)	0.128** (2.51)	0.016 (0.34)	0.266*** (5.14)	0.115** (2.41)	0.181* (1.73)	0.094 (1.03)	0.172*** (3.39)	0.005 (0.12)
ln(Vega)		0.134 (0.65)		0.127 (0.50)		0.095 (0.38)		0.324 (1.18)		0.133 (0.47)
ln(Delta)		-0.179* (-1.83)		0.040 (0.33)		-0.142 (-1.19)		-0.121 (-1.03)		-0.093 (-0.75)
Total Compensation		0.003 (1.07)		0.000 (0.11)		-0.002 (-0.43)		0.001 (0.32)		-0.003 (-0.78)
Return Variance		0.030*** (6.98)		0.025*** (6.05)		0.035*** (7.77)		0.032*** (6.26)		0.031*** (6.31)
Stock Return		-0.030 (-0.54)		-0.066 (-0.98)		-0.083 (-1.19)		-0.042 (-0.52)		-0.132* (-1.86)
Tier 1 Capital Ratio		-0.994 (-1.02)		-0.462 (-0.41)		-0.971 (-0.86)		-1.763 (-1.43)		-0.849 (-0.73)
Deposits/Liabilities		-0.146 (-0.43)		-0.567 (-1.52)		-0.061 (-0.15)		-0.177 (-0.47)		-0.210 (-0.48)
Loan/Assets		0.504** (2.10)		0.590** (2.23)		0.487** (2.17)		-0.136 (-0.48)		0.310 (1.23)
ln(Assets)		0.076** (2.48)		0.061* (1.77)		0.123** (2.08)		0.076 (1.26)		0.121** (2.10)
Year FE	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Year $\times$ Fed. Dist. FE	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
<i>N</i>	1,476	1,462	1,259	1,250	1,259	1,250	1,259	1,250	1,259	1,250
Adj. R^2	0.08	0.41	0.02	0.30	0.05	0.47	0.01	0.36	0.03	0.41

Consequences:

Bank Risk:

Both measures are multiplied by -1 so that higher values indicate higher risk.

- ▶ $\ln(\text{Percent Tail Risk})$: Natural log of average return of the 5% worst daily returns in the year.
- ▶ $\ln(\text{MES})$: Natural log of the average daily returns on the bank's stock on the 5% worst daily market return days in the year. A proxy for the bank's contribution to systemic risk.

Lending Risk:

- ▶ $\ln(\text{Risk-Wtd Assets}/\text{Assets})$: Natural log of the ratio of risk-weighted assets to total assets. *Note: Risky assets have weights greater than 0 and risk-free assets have weights equal to 0.*
- ▶ $\ln(\text{Charge-offs}/\text{Assets})$: Natural log of the ratio of charge-offs to total assets. These are loans that the bank no longer expects to collect and has written off as a loss.

Consequences: Bank Risk and Systemic Risk (T7)

Result:

► ↑ Tail Risk.

► ↑ MES.

	ln(Percent Tail Risk)		ln(MES)	
	(1)	(2)	(3)	(4)
	$t+1$	$t+2$	$t+1$	$t+2$
Has PPNR	0.083*** (3.16)	0.099*** (3.57)	0.107*** (3.14)	0.116*** (3.37)
Pay-for-Prudence	-0.029* (-1.88)	-0.028* (-1.83)	-0.005 (-0.34)	-0.026 (-1.38)
ln(Vega)	-0.155*** (-3.47)	-0.171*** (-3.78)	-0.117** (-2.30)	-0.136*** (-2.66)
ln(Delta)	-0.066** (-2.02)	-0.050 (-1.52)	-0.085** (-2.48)	-0.071** (-2.05)
Total Compensation	0.003** (2.25)	0.002* (1.70)	0.000 (0.19)	0.000 (0.11)
Tier 1 Capital Ratio	-1.132** (-2.47)	-1.125** (-2.53)	-0.546 (-0.99)	-0.883* (-1.92)
Deposits/Liabilities	-0.168 (-1.17)	-0.218 (-1.55)	0.040 (0.23)	0.042 (0.25)
ln(Entities)	0.021 (1.45)	0.019 (1.25)	0.033*** (2.62)	0.030** (2.33)
Loan/Assets	0.010 (0.10)	0.024 (0.24)	0.027 (0.29)	0.018 (0.21)
ln(Assets)	-0.022 (-1.46)	-0.018 (-1.20)	0.069*** (3.67)	0.063*** (3.50)
Year × Fed. Dist. FE	Yes	Yes	Yes	Yes
N	2,077	1,901	2,075	1,900
Adj. R^2	0.80	0.80	0.76	0.78

Consequences: Portfolio Risk Realizations (T8PA)

Result:

- ▶ ↑ Risk Wtd Assets.
- ▶ ↑ Charge-offs.

	ln(Risk-Wtd Assets/Assets)		ln(Charge-offs/Assets)	
	(1)	(2)	(3)	(4)
	$t+1$	$t+2$	$t+1$	$t+2$
Has PPNR	0.021*	0.026*	0.294*	0.319*
	(1.72)	(1.95)	(1.80)	(1.81)
Pay-for-Prudence	-0.007	-0.010	-0.172	-0.211**
	(-0.73)	(-1.00)	(-1.64)	(-2.06)
ln(Vega)	0.056*	0.040	-0.082	-0.265
	(1.82)	(1.31)	(-0.36)	(-1.18)
ln(Delta)	-0.003	0.003	-0.245	-0.215
	(-0.14)	(0.13)	(-1.32)	(-1.08)
Total Compensation	-0.000	-0.001	0.005	0.006
	(-0.38)	(-0.93)	(0.86)	(1.10)
Return Variance	0.000	0.000	0.025***	0.020***
	(0.30)	(0.06)	(5.39)	(3.98)
Stock Return	0.001	-0.006	-0.061	-0.078
	(0.15)	(-0.60)	(-0.54)	(-0.63)
Tier 1 Capital Ratio	-1.265***	-0.845***	-0.279	-0.804
	(-4.78)	(-2.99)	(-0.10)	(-0.28)
Deposits/Liabilities	0.103	0.009	1.619*	0.930
	(1.19)	(0.10)	(1.67)	(0.89)
ln(Entities)	0.010	0.009	0.016	0.016
	(1.26)	(1.05)	(0.29)	(0.28)
Loan/Assets	0.917***	0.921***	2.838***	2.988***
	(12.48)	(12.63)	(3.14)	(3.32)
ln(Assets)	0.013	0.014	0.215***	0.198***
	(1.46)	(1.50)	(3.03)	(2.69)
Year × Fed. Dist. FE	Yes	Yes	Yes	Yes
N	2,072	1,894	2,056	1,880
Adj. R^2	0.71	0.68	0.48	0.49

Consequences: Portfolio Risk Realizations (T8PA)

Result:

- ▶ PPNR *weakens* the relation between LLP and NPL.
- ▶ Lower quality LLP (accrual).

	Non-Performing Loans/Assets _{t+1}	
	(1) Full Sample	(2) Pre-CECL
Has PPNR	0.001** (2.08)	0.002** (2.22)
Loan Loss Provision/Assets	0.655*** (5.66)	0.657*** (5.64)
Has PPNR × Loan Loss Provision/Assets	-0.452*** (-3.29)	-0.481*** (-3.31)
Pay-for-Prudence	-0.001*** (-2.75)	-0.001*** (-2.60)
ln(Vega)	-0.003** (-2.57)	-0.003** (-2.51)
ln(Delta)	-0.000 (-0.29)	-0.000 (-0.21)
Total Compensation	-0.000 (-1.05)	-0.000 (-1.18)
Return Variance	0.000** (2.47)	0.000** (2.46)
Stock Return	-0.001* (-1.66)	-0.002 (-1.54)
Tier 1 Capital Ratio	0.046*** (2.79)	0.049*** (2.77)
Deposits/Liabilities	0.005 (0.99)	0.006 (1.00)
ln(Entities)	0.000 (0.19)	0.000 (0.25)
Loan/Assets	0.010*** (3.86)	0.010*** (3.67)
ln(Assets)	0.001** (2.17)	0.001** (2.03)
Year × Fed. Dist. FE	Yes	Yes
N	2,077	1,891
Adj. R ²	0.47	0.46

Consequences: Portfolio Risk Realizations (T8PA)

	Non-Performing Loans/Assets _{t+1}	
	(1) Full Sample	(2) Pre-CECL
Has PPNR	0.001** (2.08)	0.002** (2.22)
Loan Loss Provision/Assets	0.655*** (5.66)	0.657*** (5.64)
Has PPNR $\times$ Loan Loss Provision/Assets	-0.452*** (-3.29)	-0.481*** (-3.31)
Pay-for-Prudence	-0.001*** (-2.75)	-0.001*** (-2.60)
ln(Vega)	-0.003** (-2.57)	-0.003** (-2.51)
ln(Delta)	-0.000 (-0.29)	-0.000 (-0.21)
Total Compensation	-0.000 (-1.05)	-0.000 (-1.18)
Return Variance	0.000** (2.47)	0.000** (2.46)
Stock Return	-0.001* (-1.66)	-0.002 (-1.54)
Tier 1 Capital Ratio	0.046*** (2.79)	0.049*** (2.77)

Conclusion:

- ▶ Regulatory enforcement creates conditions for bank boards to adopt specific measures to track firm performance.
- ▶ The development and codification of PPNR created unintended consequences
 - ▶ Remove the loan loss provision from performance measurement (a credit risk shield)
 - ▶ Examiners assigned worse ratings
 - ▶ Increased bank risk-taking
 - ▶ Decreased financial reporting quality

Additional Tables and Figures

Opacity

Result:

- ▶ High C&I loans $\uparrow$ PPNR use.
- ▶ These are more opaque loans, more difficult to monitor.

	(1) <i>Has PPNR_{t+1}</i>	(2) <i>Has PPNR_{t+1}</i>
High C&I Loan Ratio	0.096*** (3.50)	0.056** (2.32)
Pay-for-Prudence		0.026 (0.97)
ln(Vega)		-0.136* (-1.83)
ln(Delta)		0.053 (1.17)
Total Compensation		0.001 (0.49)
Return Variance		0.004** (2.56)
Stock Return		0.047 (1.53)
Tier 1 Capital Ratio		0.302 (0.76)
Deposits/Liabilities		0.113 (0.98)
ln(Entities)		0.021 (1.41)
ln(Assets)		0.022 (1.34)
Year FE	Yes	No
Year $\times$ Fed. Dist. FE	No	Yes
<i>N</i>	2,078	2,077
Adj. <i>R</i> ²	0.13	0.21

Opacity

	(1)	(2)
	<i>Has PPNR_{t+1}</i>	<i>Has PPNR_{t+1}</i>
High C&I Loan Ratio	0.096*** (3.50)	0.056** (2.32)
Pay-for-Prudence		0.026 (0.97)
ln(Vega)		-0.136* (-1.83)
ln(Delta)		0.053 (1.17)
Total Compensation		0.001 (0.49)
Return Variance		0.004** (2.56)
Stock Return		0.047 (1.53)

Result:

- The Reg. Attn. effect is concentrated among banks with high C&I loans.

	(1) <i>Has PPNR_{t+1}</i>	(2) <i>Has PPNR_{t+1}</i>
High C&I Loan Ratio × High Reg. Attn.	0.121* (1.97)	0.130** (2.52)
High Reg. Attn.	0.017 (0.42)	-0.010 (-0.24)
High C&I Loan Ratio	0.046** (2.00)	0.018 (0.74)
Pay-for-Prudence		0.024 (0.93)
ln(Vega)		-0.147** (-2.08)
ln(Delta)		0.056 (1.34)
Total Compensation		0.002 (0.95)
Return Variance		0.003** (2.25)
Stock Return		0.041 (1.35)
Tier 1 Capital Ratio		0.313 (0.80)
Deposits/Liabilities		0.087 (0.78)
ln(Entities)		0.028* (1.76)
ln(Assets)		0.000 (0.01)
Year FE	Yes	No
Year × Fed. Dist. FE	No	Yes
<i>N</i>	2,078	2,077
Adj. <i>R</i> ²	0.16	0.22

Opacity

	(1) <i>Has PPNR_{t+1}</i>	(2) <i>Has PPNR_{t+1}</i>
High C&I Loan Ratio $\times$ High Reg. Attn.	0.121* (1.97)	0.130** (2.52)
High Reg. Attn.	0.017 (0.42)	-0.010 (-0.24)
High C&I Loan Ratio	0.046** (2.00)	0.018 (0.74)
Pay-for-Prudence		0.024 (0.93)
ln(Vega)		-0.147** (-2.08)
ln(Delta)		0.056 (1.34)
Total Compensation		0.002 (0.95)
Return Variance		0.003** (2.25)
Stock Return		0.041 (1.35)
Tier 1 Capital Ratio		0.313 (9.89)