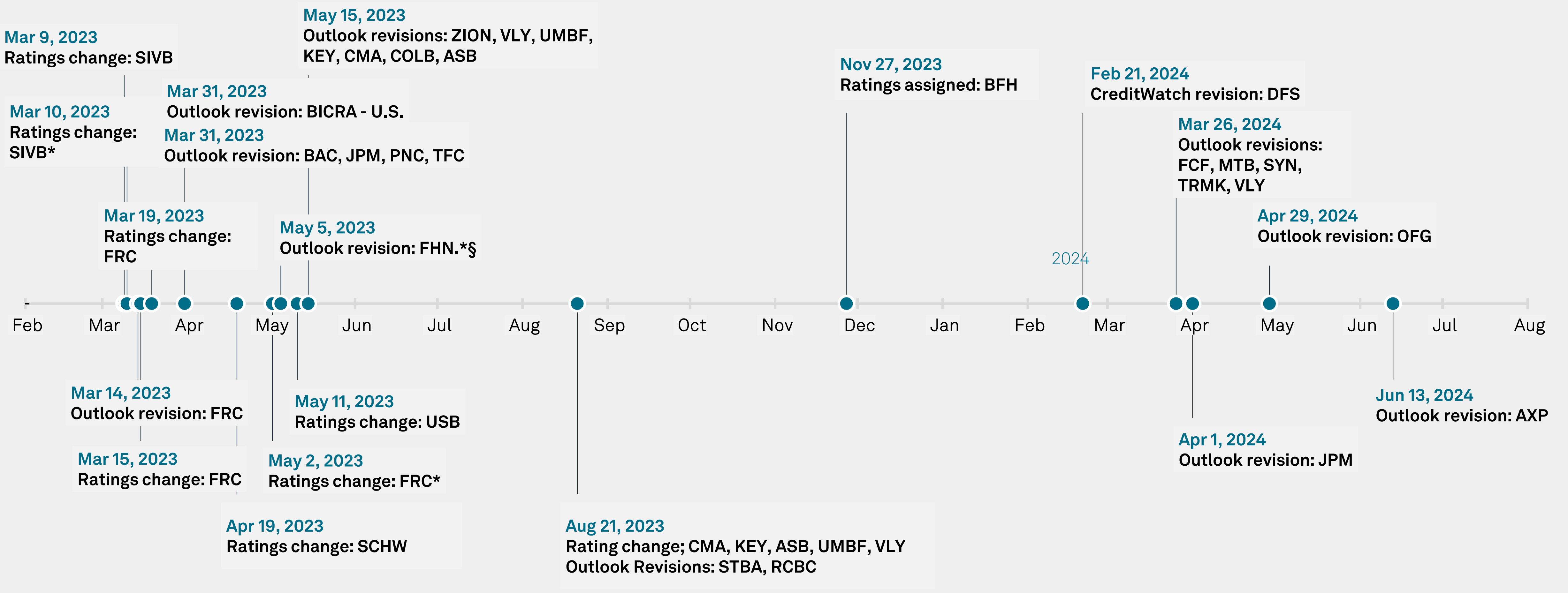
S&P Global Ratings

U.S. Banks Webinar Q3 2024: What's Next As Rate Cuts Loom?

Aug. 21, 2024

This report does not constitute a rating action

Timeline Of Rating Actions

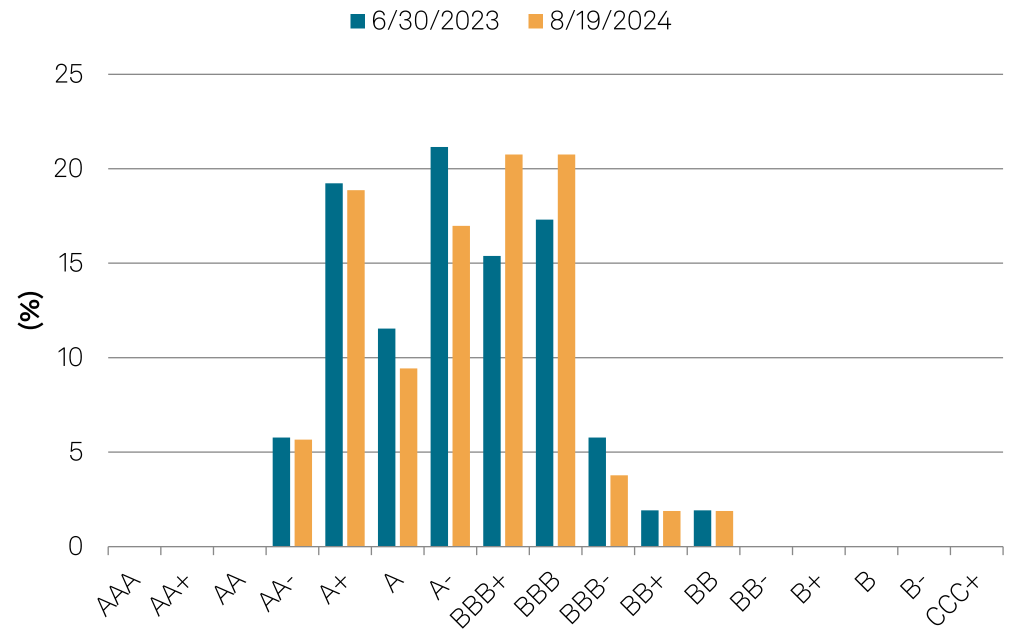


Long-term issuer credit ratings. *Ratings subsequently withdrawn §Unsolicited rating. Source: S&P Global Ratings.

U.S. Bank Rating Outlooks Remain Largely Stable

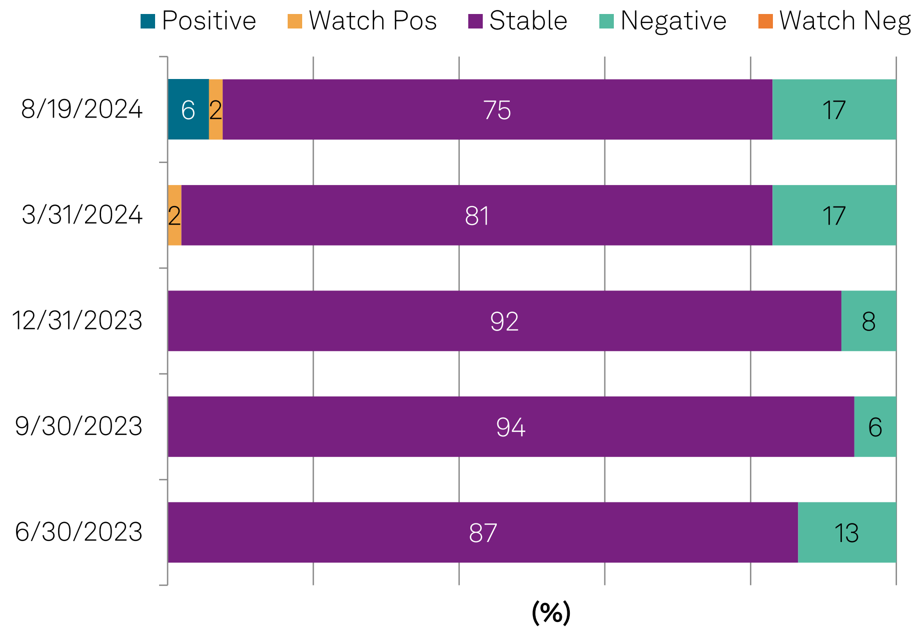
- While most banks have stable outlooks, reflecting continued good performance, the proportion of negative outlooks has risen with five commercial real estate (CRE)-related revisions this year and several negative actions last year.
- This year, we also revised our outlooks on JPMorgan Chase, OFG Bancorp, and American Express to positive and placed our ratings on Discover on CreditWatch positive after it agreed to be acquired by Capital One.

Operating company rating distribution



Data as of Aug. 19, 2024. Note: Includes banks domiciled in Puerto Rico. Source: S&P Global Ratings.

Outlook distribution



Data as of Aug. 19, 2024. Note: Includes banks domiciled in Puerto Rico. Source: S&P Global Ratings.

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U.S. Economic Outlook

S&P Global U.S. economic forecast overview

June 2024

Key indicator (year % change)	2020	2021	2022	2023	2024f	2025f	2026f	2027f
Real GDP	-2.2	5.8	**1.9**	2.5	2.5	1.7	1.8	1.9
Real consumer spending	-2.5	8.4	2.5	2.2	2.5	2.0	2.1	2.4
Real equipment investment	-10.1	6.4	5.2	-0.3	1.4	4.3	3.3	3.3
Real nonresidential structures investment	-9.5	-3.2	-2.1	13.2	4.6	1.4	1.0	0.3
Real residential investment	7.2	10.7	-9.0	-10.6	4.7	2.0	2.8	2.2
Core CPI	1.7	3.6	6.2	4.8	3.4	2.5	2.2	2.1
Unemployment rate (%)	8.1	5.4	3.6	3.6	3.9	4.2	4.4	4.1
Housing starts (annual total in mil.)	1.4	1.6	1.6	1.4	1.4	1.4	1.4	1.4
10-Year Treasury (%)	0.9	1.4	3.0	4.0	4.2	3.6	3.5	3.5

Note: All percentages are annual averages, unless otherwise noted. Core CPI is the Consumer Price Index excluding energy and food components. f--forecast.
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Oxford Economics, and S&P Global Economics' forecasts.

- We believe the Fed will begin reducing rates in September with 125 basis points (bps) of cuts through 2025.
- The July jobs report clearly marked a further deceleration in employment demand.
- The economy is transitioning to a period of below-trend growth, and the broader disinflationary trend that started last year should continue.
- Our baseline view of a soft landing is not without risks. We think the probability of a recession starting within the next 12 months remains elevated, at 25%-30%.

Forecast | Earnings Remain Resilient, Assuming Continued Economic Growth

Worsening | | Neutral | | Improving

Revenues	Net interest income (NII) stabilized in Q2 but may fall if the Fed begins cutting rates in September. Assuming 125 bps of cuts through 2025 and still tepid loan growth, NII should fall modestly in 2025 after a roughly 2% decline this year. Fee income growth may offset that with lower rates supporting mortgage and investment banking and wealth and asset management.
Expenses	We expect overall expenses to drop owing to the trailing year's one-time charges, particularly the Federal Deposit Insurance Corp. (FDIC) special assessment. However, inflation, investments in technology, and perhaps some increase in business activity should push core expenses somewhat higher, notwithstanding banks' continued focus on cost controls.
Profitability	Profitability may fall somewhat, especially adjusted for one-time expenses, on potentially lower NII and somewhat higher provisions. But that decline in profitability should be fairly small, with the banking industry still reaching a return on common equity of around 11% this year and 10%-11% in 2025.
Credit quality	Provisions and net charge-offs will likely incrementally worsen, driven especially by CRE, commercial and industrial (C&I), and credit cards. However, an economic soft landing, if achieved, should prevent a substantial decline in asset quality.
Capital	While some banks may increase capital ratios further, many others are unlikely to materially boost their ratios until regulators indicate how they will implement the Basel III endgame. Lower rates may also lead to a drop in unrealized losses, relieving some pressures on adjusted capital ratios.
Funding | Liquidity	Deposits fell in Q2, and growth will likely be limited until the Fed begins easing monetary policy. We would expect some improvement in deposit growth if the Fed further slowed or halted quantitative tightening. That could also support liquidity. While banks have good contingent liquidity, many still have relatively low cash balances.

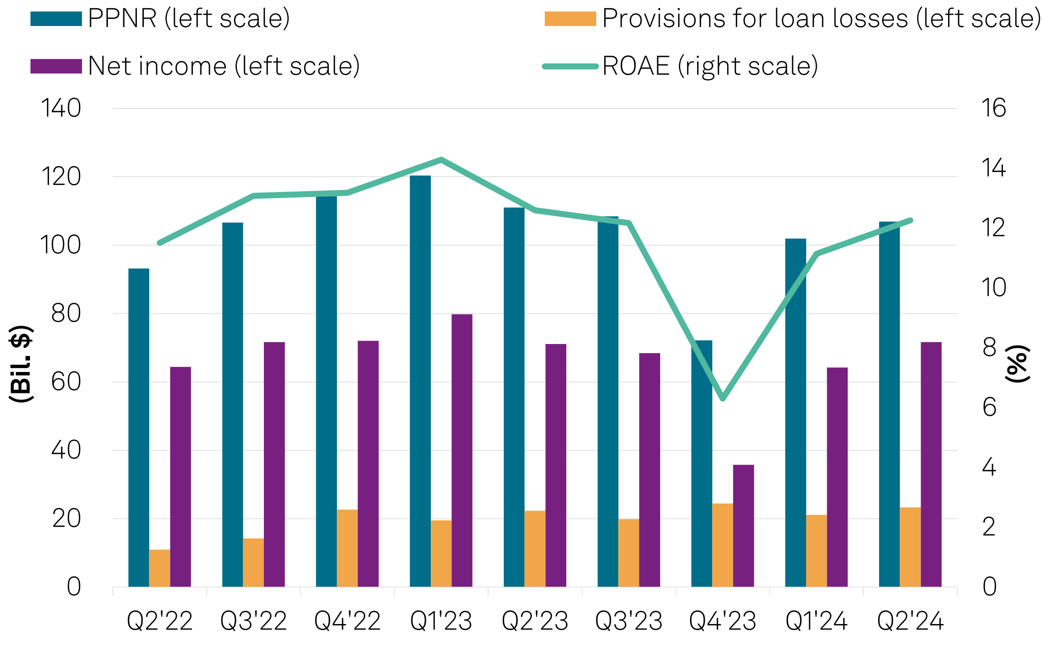
Note: Forecast for next 12 months. Source: S&P Global Ratings.

Q2 Results

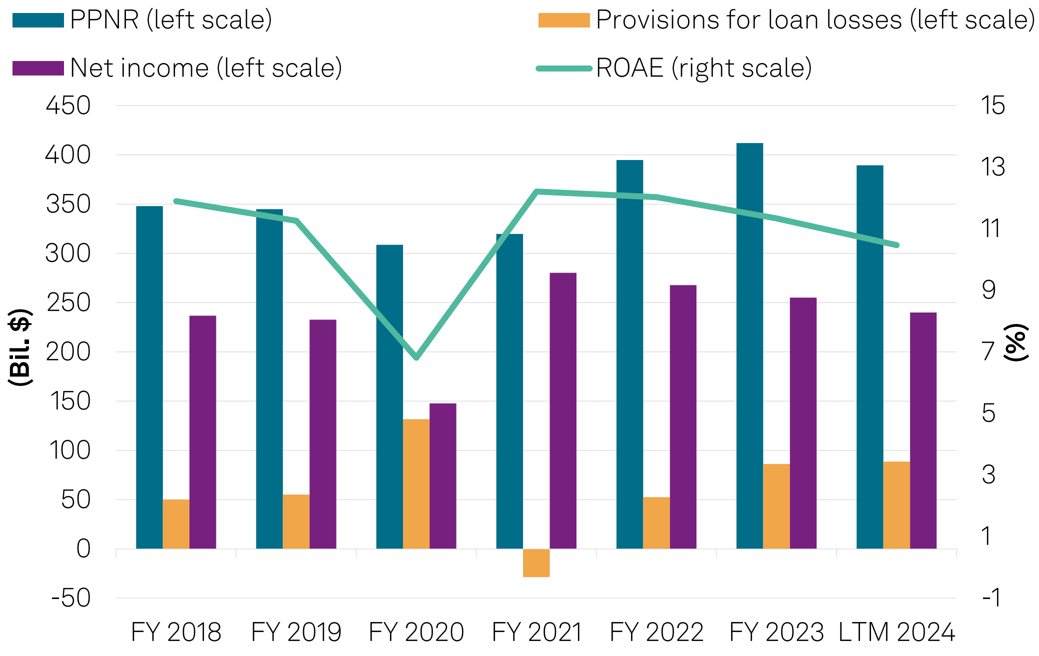
Earnings Benefited From NII Stabilization And Fee Income Growth

- Earnings rose from the prior quarter as NII stabilized and fee income increased. Relative to second-quarter 2023, results were mixed on lower NII and higher fee income.
- Losses on the securities repositioning in the first two quarters of this year and Q1's FDIC special assessment expense created some noise in results.

All FDIC-insured banks: quarterly performance



All FDIC-insured banks: yearly performance

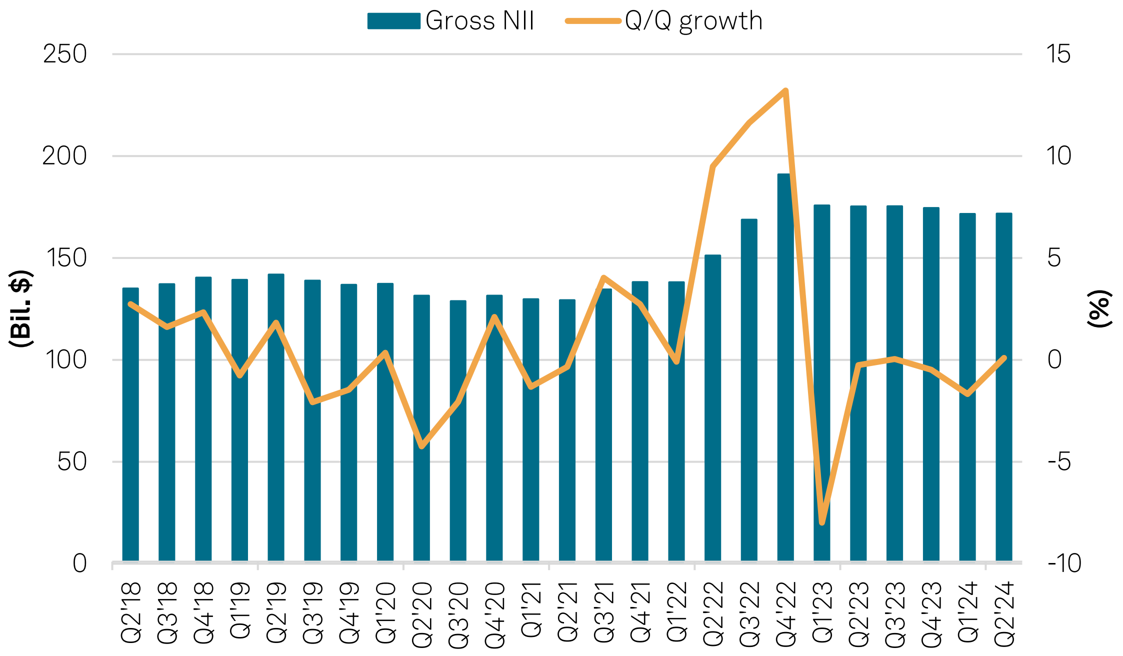


NII--Net interest income. PPNR--Preprovision net revenue. ROAE--Return on average equity. FY--Fiscal year. Sources: S&P Global Market Intelligence and FDIC.

Net Interest Income May Fall When The Fed Cuts Rates

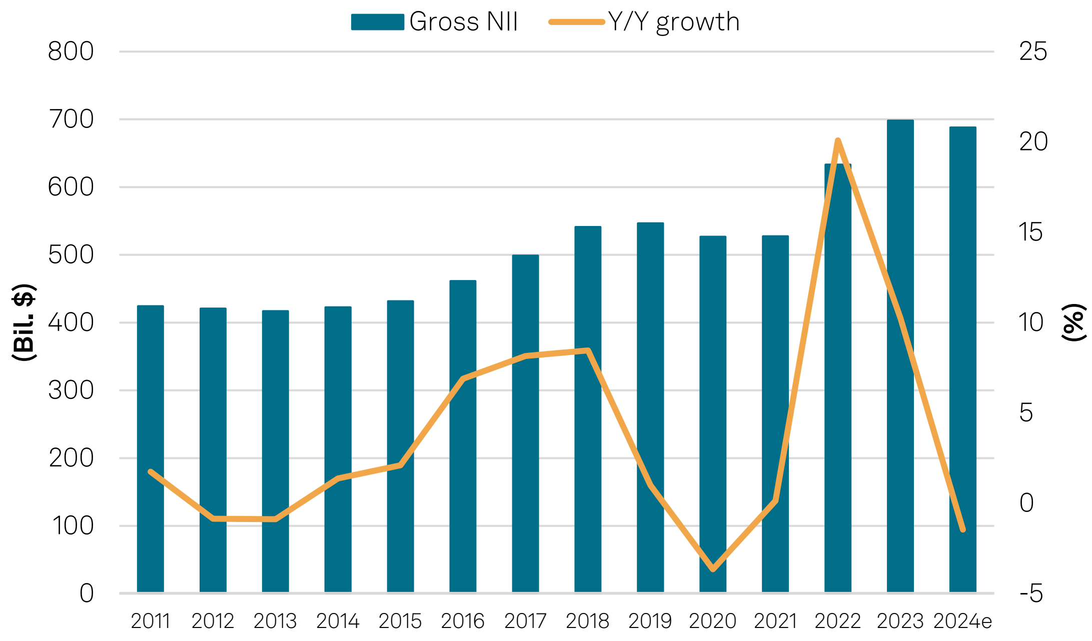
- The banking system in aggregate saw little change in NII from the prior quarter on some loan growth and relatively flat net interest margins (NIMs).
- However, a cut in rates could lead to modest pressure on NIMs and NII, unless earning asset growth accelerates.

All FDIC-insured banks: quarterly net interest income



NII--Net interest income. Q/Q--Quarter over quarter. Sources: S&P Global Market Intelligence and FDIC.

All FDIC-insured banks: yearly net interest income



NII--Net interest income. Y/Y--Year over year. Sources: S&P Global Market Intelligence and FDIC.

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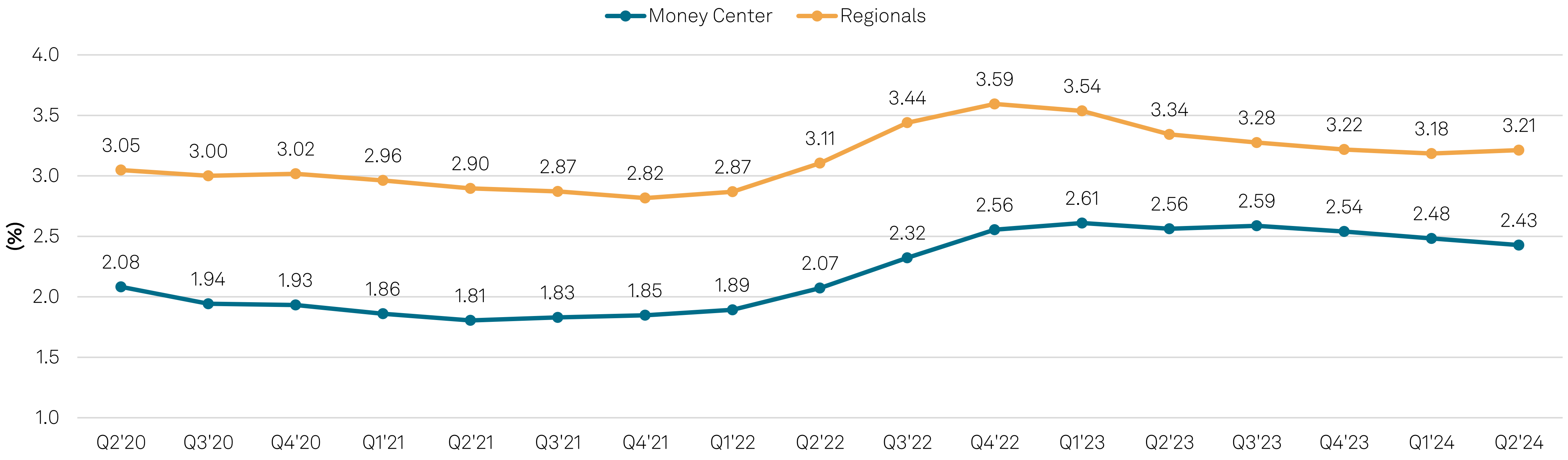
NIMs Leveled Off On Average At Rated Banks After Falling For Several Periods

- NIMs generally stabilized after falling for most banks for five quarters in a row.
- Funding costs, on average, rose modestly, and earning asset yields generally matched that rise.

Average NIMs of rated banks

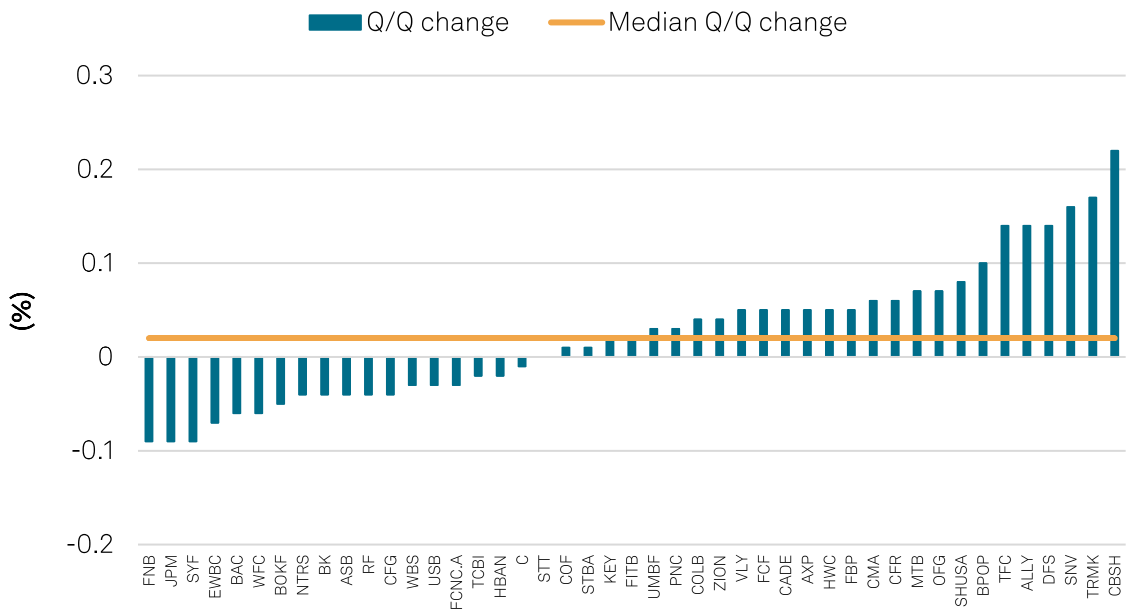


Data as of June 30, 2024. Note: Money center banks include Bank of America, Citigroup, JPMorgan, and Wells Fargo. NIMs--Net interest margins. Sources: S&P Global Ratings, company filings, and FDIC.

NIMs, Little Changed On Average, Varied Considerably Across Rated Banks

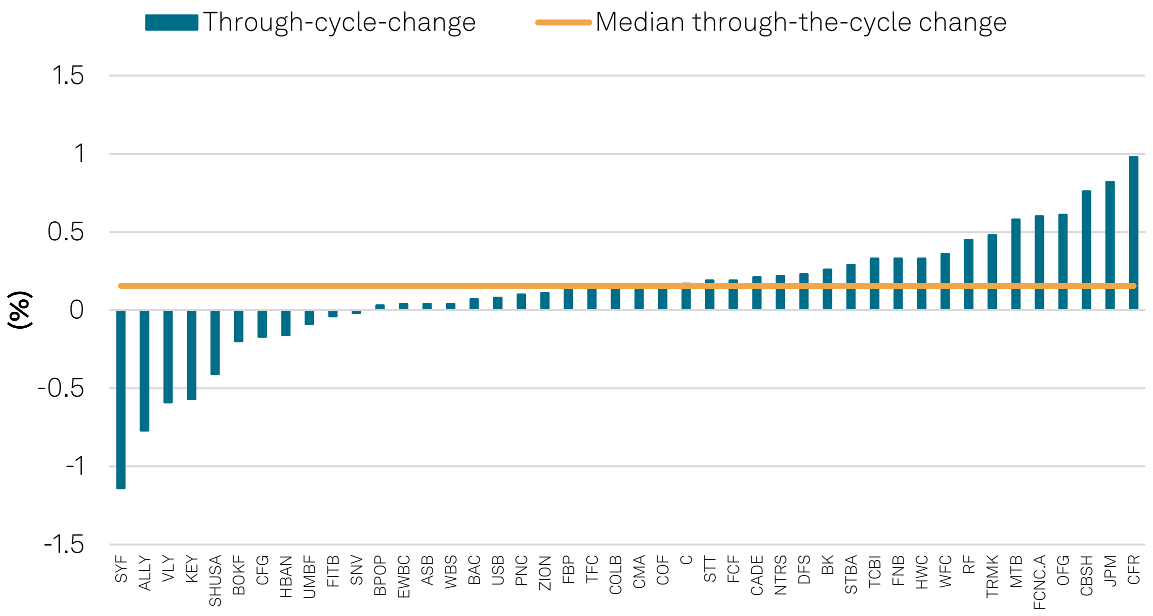
- Some banks benefited from the lagged impact of fixed-rate assets maturing, the repositioning of securities, and repricing of loans.
- Other banks continued to see further incremental pressure on funding costs compared with asset yields.

NIM quarter-over-quarter change



NIM--Net interest margin. Q/Q--Quarter over quarter. Source: S&P Global Ratings.

NIM through-the-cycle change



NIM--Net interest margin. Through-the-cycle comparison is the difference in NIM from Q2'22 to Q2'24. Source: S&P Global Ratings.

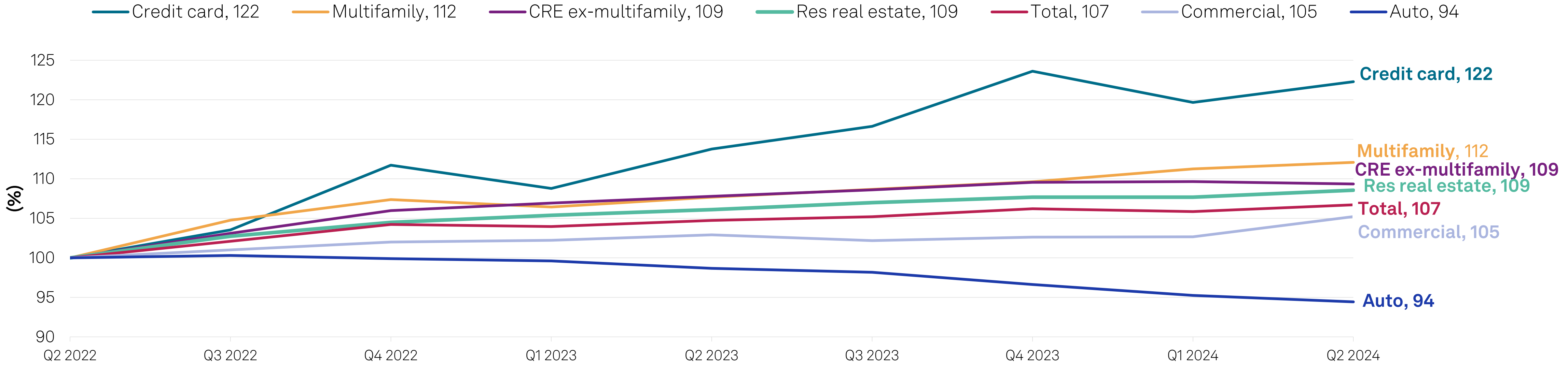
Loan Growth Was Limited Overall, Despite Expansion In Cards And CRE

- Loans to nonbank financial institutions and credit card loans, both of which dipped in Q1, rebounded in Q2 with strong growth. Despite stress in parts of CRE, banks continue to grow in some types of CRE loans, particularly multifamily.

- Still, we expect low-single-digit growth in total loans for 2024 and 2025 due to limited borrower demand in many loan types and tight lending standards.

Two-year index of bank loan growth, all FDIC-insured banks

Q2 2022 = 100

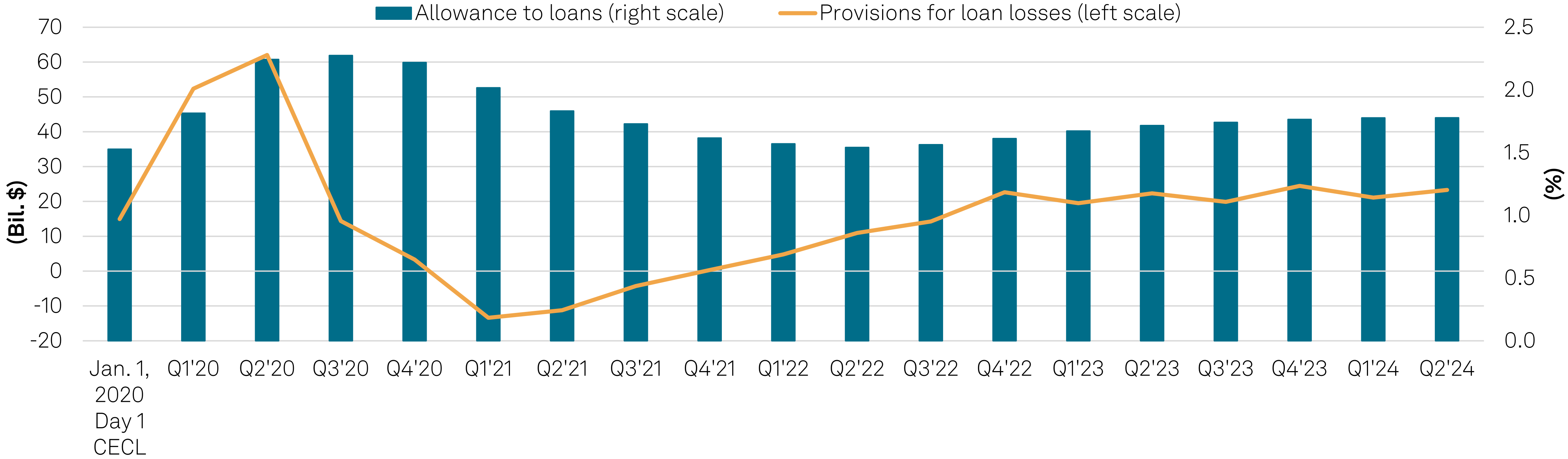


Note: Commercial loans includes commercial and industrial (C&I), owner-occupied commercial real estate (CRE) loans, loans to banks and nondepository financial institutions, leases, and agriculture production loans on schedule RC-C Part I of the call report. CRE includes non-owner-occupied CRE, construction, and multifamily loans. Sources: S&P Global Ratings, S&P Global Market Intelligence, and call report data.

Allowances Were Little Changed As Provisions Matched Net Charge-Offs

- Provisions and net charge-offs both rose slightly from the prior quarter, and banks kept allowance levels largely unchanged.
- We expect provisions and charge-offs relative to loans to remain above historical medians, with the ratio of allowances to loans potentially incrementally rising.

Allowances/loans and provisions of FDIC-insured banks

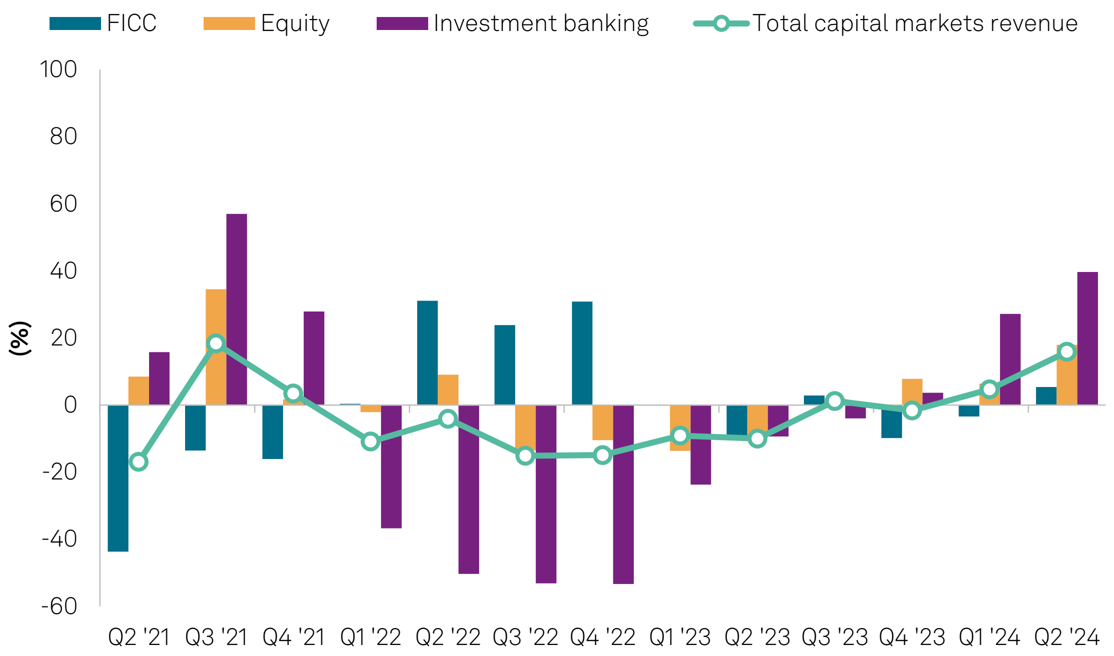


CECL--Current expected credit losses. Sources: S&P Global Ratings and S&P Global Market Intelligence.

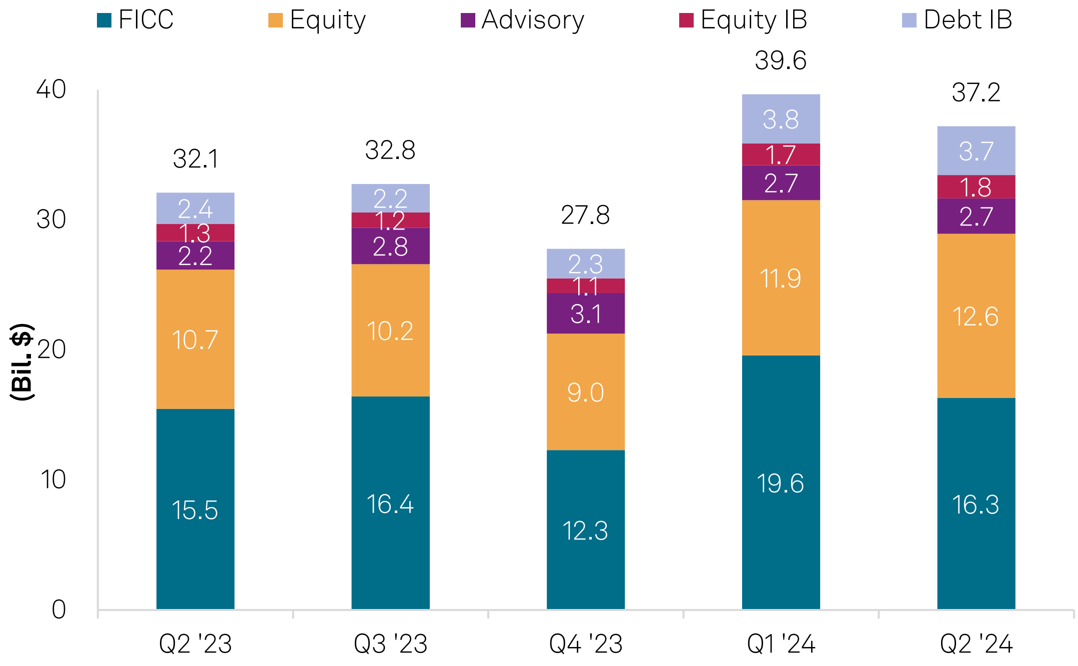
Trading And Investment Banking Revenues Have Increased Meaningfully

- Debt and equity underwriting and merger activity have rebounded from a weak 2023, and equity and fixed income, currencies, and commodities (FICC) trading have remained relatively robust.
- The increased activity has provided a boost to earnings, especially for the largest banks.

Year-over-year change in capital markets revenue



Quarterly capital markets revenue trends



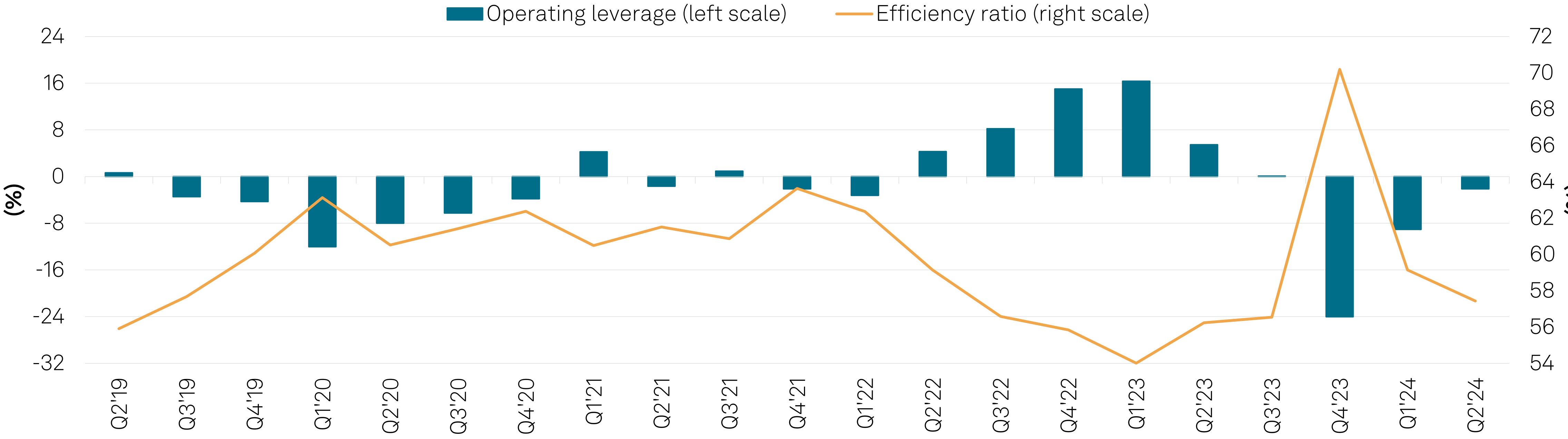
Note: Capital markets data derived by aggregating those on Bank of America, Citi, Goldman Sachs, JPMorgan, and Morgan Stanley. FICC--Fixed income, currencies, and commodities. IB--Investment banking. Sources: S&P Global Ratings and company filings.

Fee Income Growth Has Helped Operating Leverage Move Close To Neutral

- Despite a drop in NII compared with second-quarter 2023, operating leverage approached zero due to fee income growth. About half of rated banks reported negative operating leverage.
- We think material improvement in efficiency ratios and operating leverage will be difficult without NII growing meaningfully.

Operating leverage and efficiency, all FDIC-insured banks

Operating leverage = Y/Y change in revenue – Y/Y change in noninterest expenses



Y/Y--Year over year. Source: S&P Global Ratings and S&P Global Market Intelligence.

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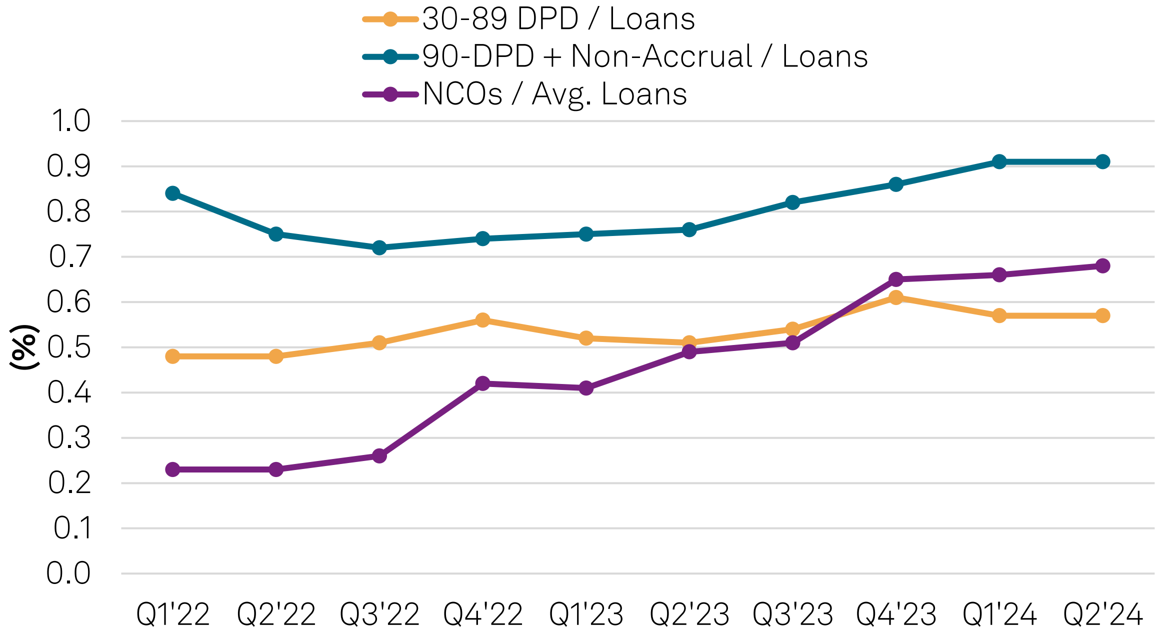
Asset Quality

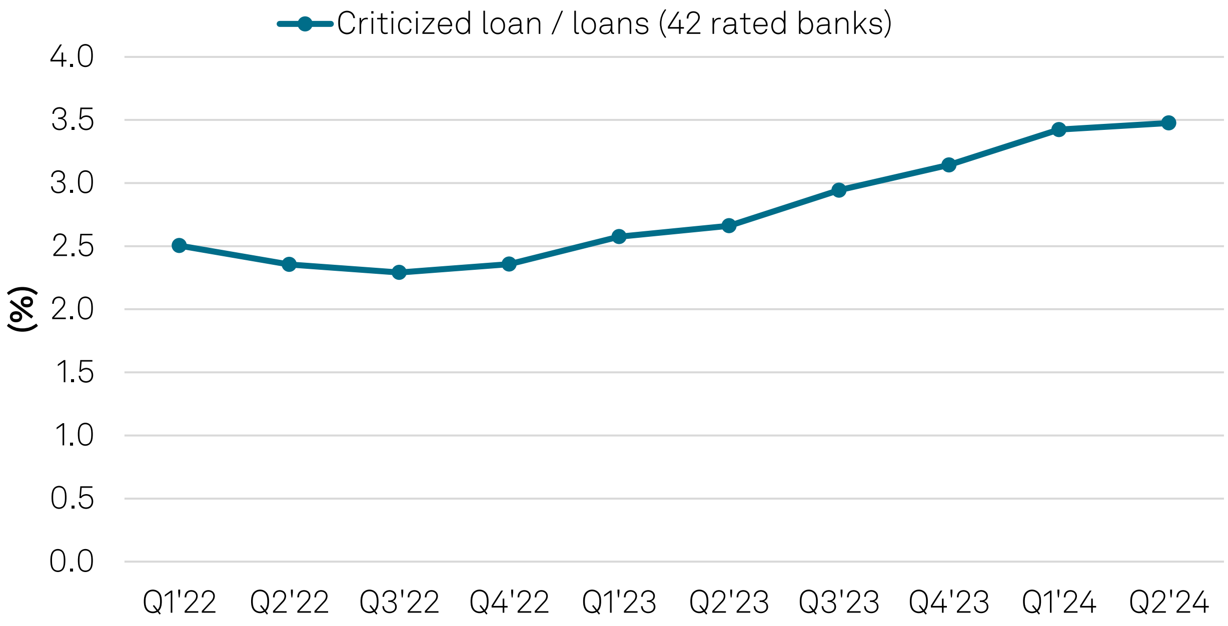
Asset Quality Continues To Deteriorate On High Rates And Other Factors

- Net charge-offs and nonperforming loans have increased over the last year.
- Criticized loans are also up, likely foreshadowing potential further worsening in asset quality.

Asset quality metrics, all FDIC-insured banks



Criticized loans of rated banks



Note: All FDIC-insured banks based on aggregated call report data. Criticized loans are for 42 rated banks that have consistently reported such data for all reporting periods in the chart. Sources: S&P Global Ratings, S&P Global Market Intelligence, and regulatory filings.

Net Charge-Offs Exceed Historical Medians, Especially Due To CRE And Cards

- Annualized net charge-offs, at 68 bps of loans, are running above historical levels.
- Credit cards and CRE have been the biggest drivers, followed by C&I, and we expect incremental worsening.

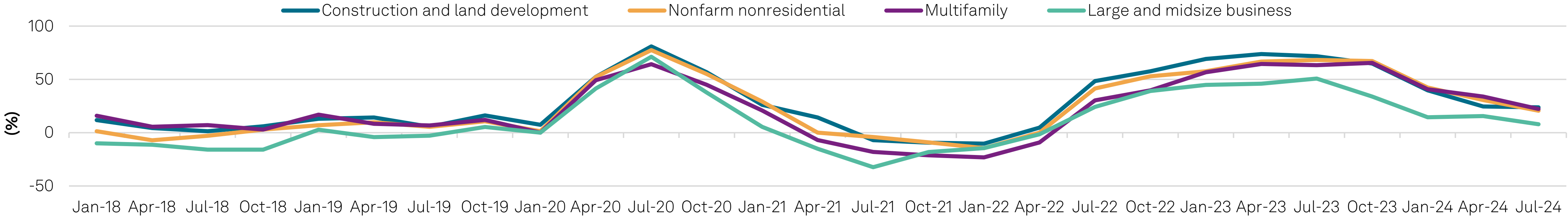
Loan category	Net charge-off rate Q2 2024 (%)*	Change (% y/y)	Long-term median (1994 – Q1 2024) (%)	Q2 2024 vs. median (%)	Historical peak (1994 – Q1 2024) (%)
Construction and development loans	0.04%	0.01%	0.05%	-0.01%	8.02%
Closed end real estate loans secured by 1-4 family residential properties§	0.00%	-0.01%	0.11%	-0.11%	2.47%
Home equity lines of credit	-0.08%	-0.01%	0.18%	-0.26%	3.13%
Real estate loan secured by nonfarm nonresidential properties	0.38%	0.13%	0.09%	0.29%	1.40%
C&I loans	0.52%	0.20%	0.41%	0.11%	2.72%
Credit cards	4.91%	1.43%	4.11%	0.80%	13.21%
Other loans to individuals	1.07%	0.16%	0.99%	0.08%	3.04%
Auto loans†	0.99%	0.16%	0.65%	0.34%	1.25%
Total loans and leases	0.68%	0.20%	0.54%	0.15%	3.00%

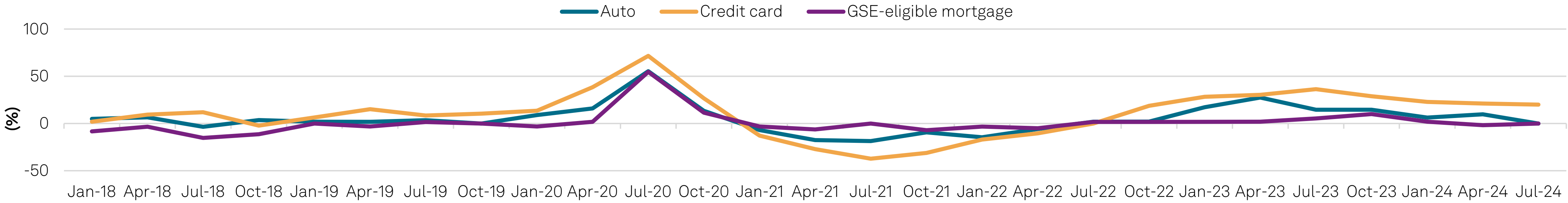
Note: Based on FDIC quarterly loan performance data for all FDIC-insured banks. *Q2 2024 net charge-offs based on call report data. §Closed end real estate loans secured by 1-4 family residential properties data only available from Q1 2002. †Auto loan data only available from Q1 2011. Sources: S&P Global Ratings, regulatory filings, and the FDIC.

Lending Standards Remain Tight Across Loan Categories

- The Fed's July senior loan officer survey indicated most banks did not materially change lending standards in recent months, after tightening for several quarters.
- Banks reported demand was unchanged or weakened in most loan categories.

Net percent of domestic respondents tightening standards



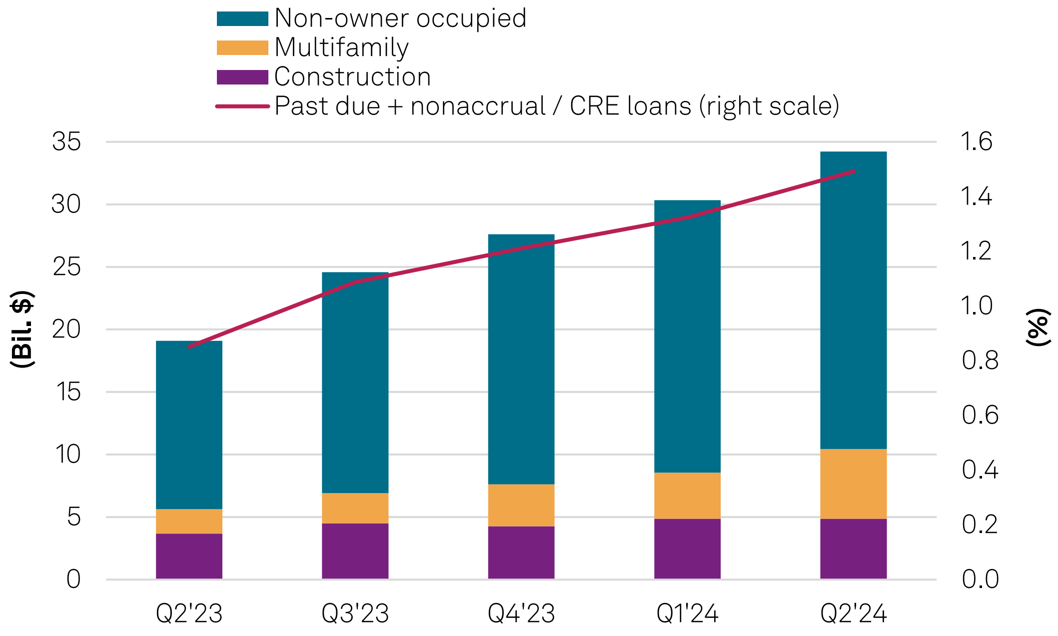


Note: Positive indicates more banks tightening; negative indicates more banks loosening. CRE--Commercial real estate. GSE--Government-sponsored enterprise. Sources: FRB July 2024 Senior Loan Officer Opinion Survey on Bank Lending Practices.

CRE Delinquencies And Nonaccruals Are Rising, Posing A Risk To Profitability

- CRE loans at least 30 days past due and nonaccrual rose to 1.5% of total CRE loans in Q2 and are likely to increase further.
- While provisions on CRE loans are unlikely to materially eat into capital, they could weigh substantially on some banks' earnings.

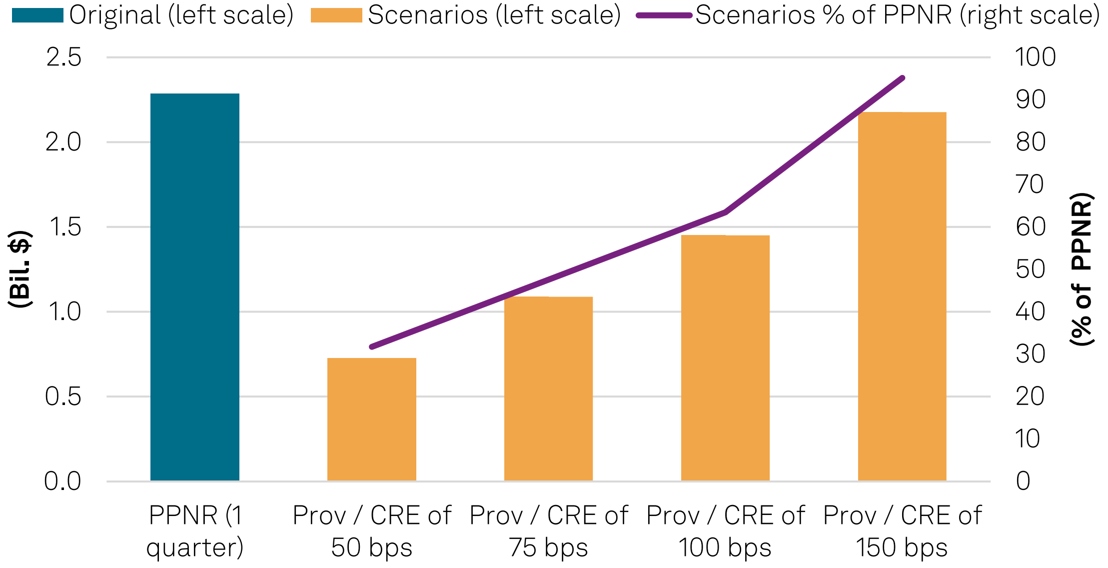
CRE past due and nonaccrual loans: all FDIC-insured banks



Data as of June 30, 2024. Sources: FDIC and S&P Global Ratings.

Impact of potential provisions on CRE loans to one quarter of PPNR

Rated banks with CRE > 200% of Tier 1 capital, aggregated

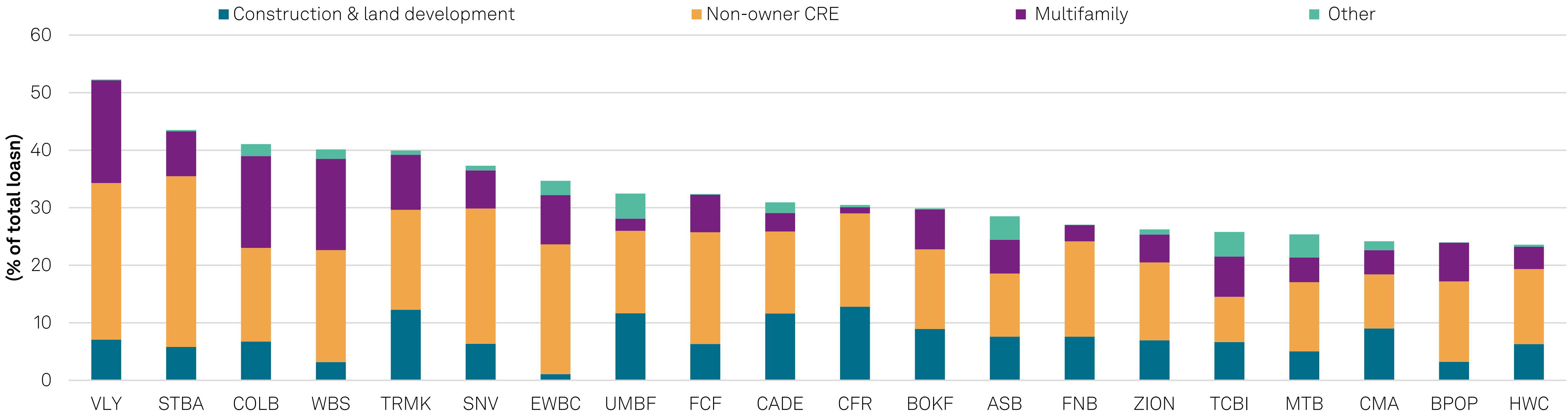


PPNR--Preprovision net revenue. bps--Basis points. Preprovision net revenue was calculated based on Q2'24 data. Source: S&P Global Ratings.

Commercial Real Estate Remains A Key Risk For Banks With Large Exposures

- Delinquent, non-performing, and modified CRE loans are rising, especially on office and multifamily properties.
- However, rated banks' broadly diversified loan portfolios and conservative underwriting should help reduce the risk.

Rated banks with the largest proportional CRE exposures



Data as of June 30, 2024. Note: CRE to total loans comes from Y9C data. CRE--Commercial real estate. Sources: Regulatory filings and S&P Global Ratings.

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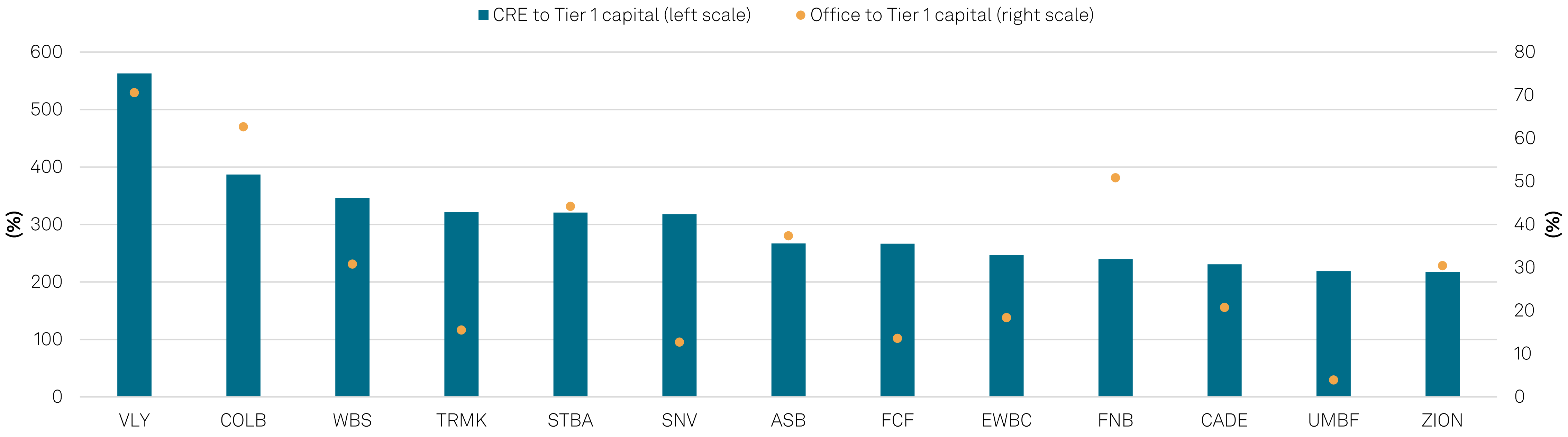
Office Loans Are A Small Portion Of Banks' CRE Portfolios But Still Pose Risk

- Offices typically represent about 20% of total CRE loans at rated banks.
- Office exposure as a percent of Tier 1 capital is about 70% for the most exposed banks.

Office exposure for select rated banks with CRE/Tier 1 common capital above 200%

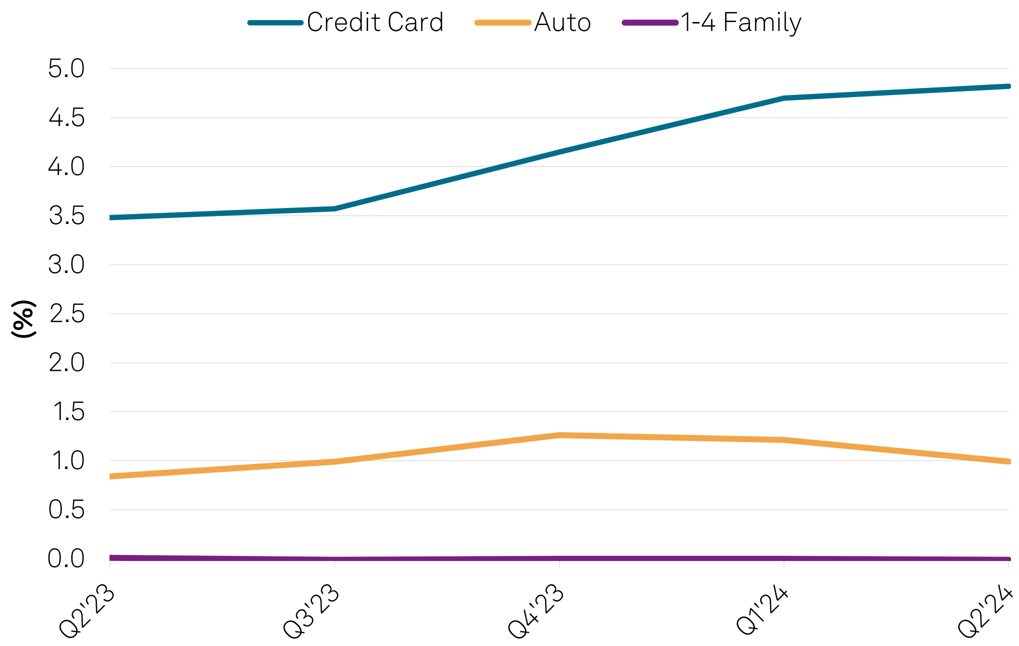


Data as of June 30, 2024. CRE--Commercial real estate. Note: Bank CRE loans excludes owner-occupied. Sources: S&P Global Ratings, FDIC, company earnings presentations, and 10-Ks.

Consumer Asset Quality Has Largely Remained Good Except On Credit Cards

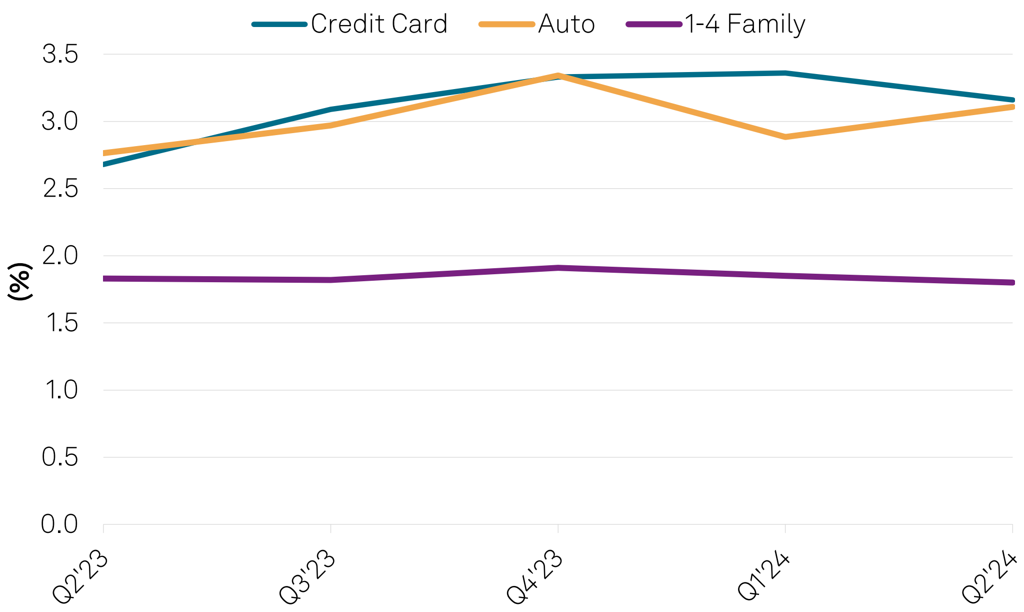
- Debt burdens have risen for consumers as pandemic-era savings have waned amid high interest rates.
- However, an economic soft landing probably would prevent a sharp worsening in consumer asset quality.

Net charge-off rates on consumer loans



Sources: Regulatory filings and S&P Global Ratings.

Delinquent and nonaccrual consumer loans



Sources: Regulatory filings and S&P Global Ratings.

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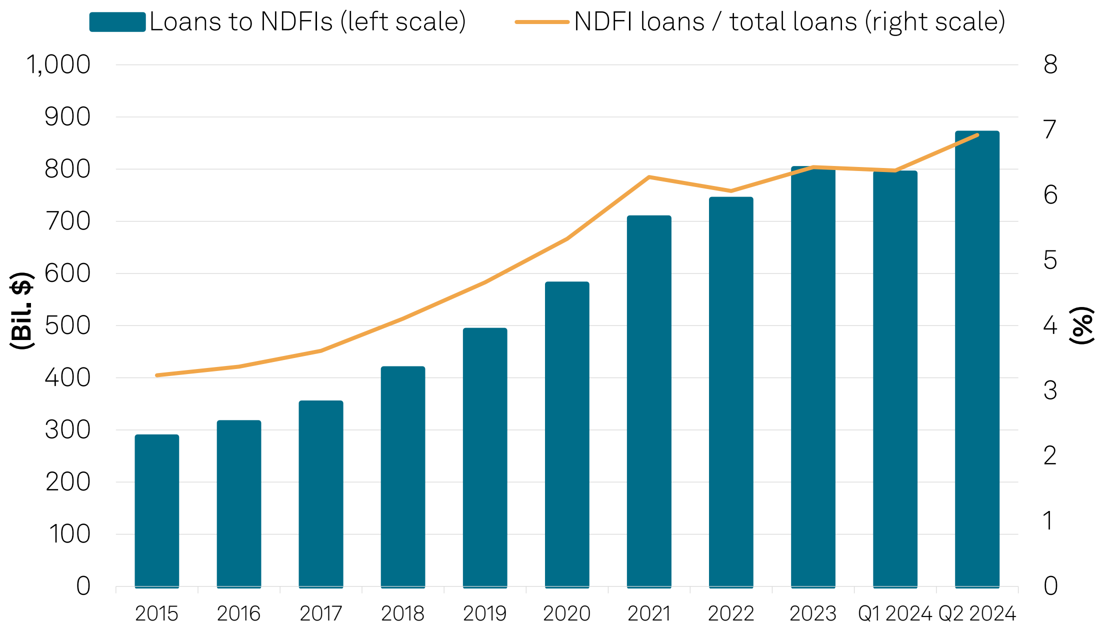
Banks Have Grown Nonbank Exposures Quickly, But With Protections

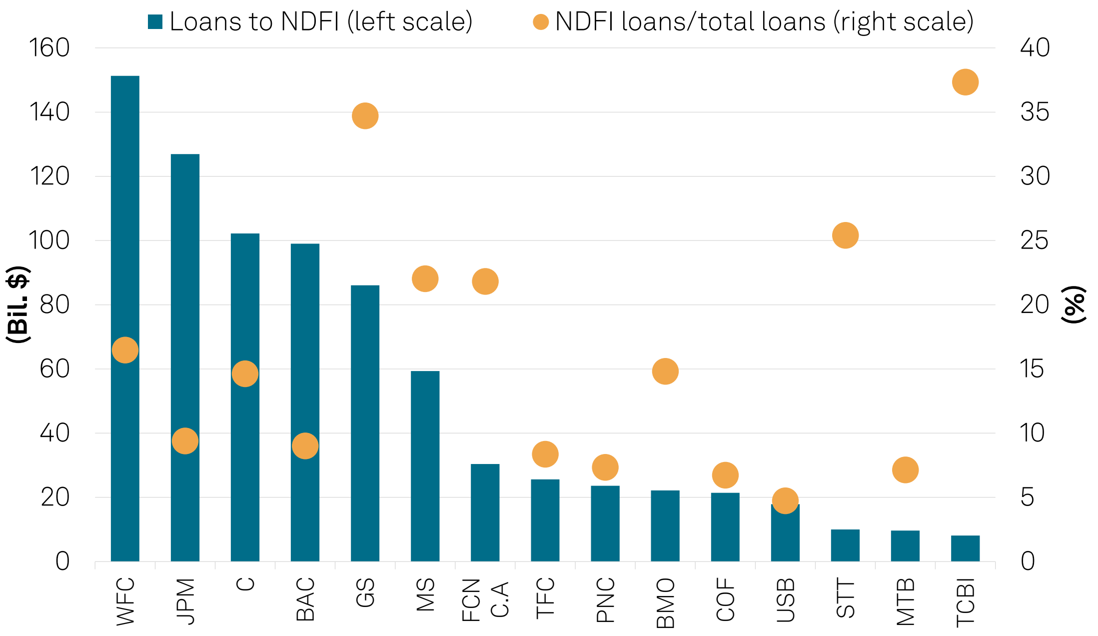
- Loans to nonbank financial institutions have risen by about 50% since 2020 and now make up about 7% of loans of FDIC-insured banks.
- Collateral and good diversification by borrower type have helped mitigate risks for banks.

Loans to nondepository financial institutions



Note: All FDIC-insured banks. Source: S&P Global Ratings.

Rated banks: loans to nondepository financial institutions



Data as of June 30, 2024. Source: S&P Global Ratings.

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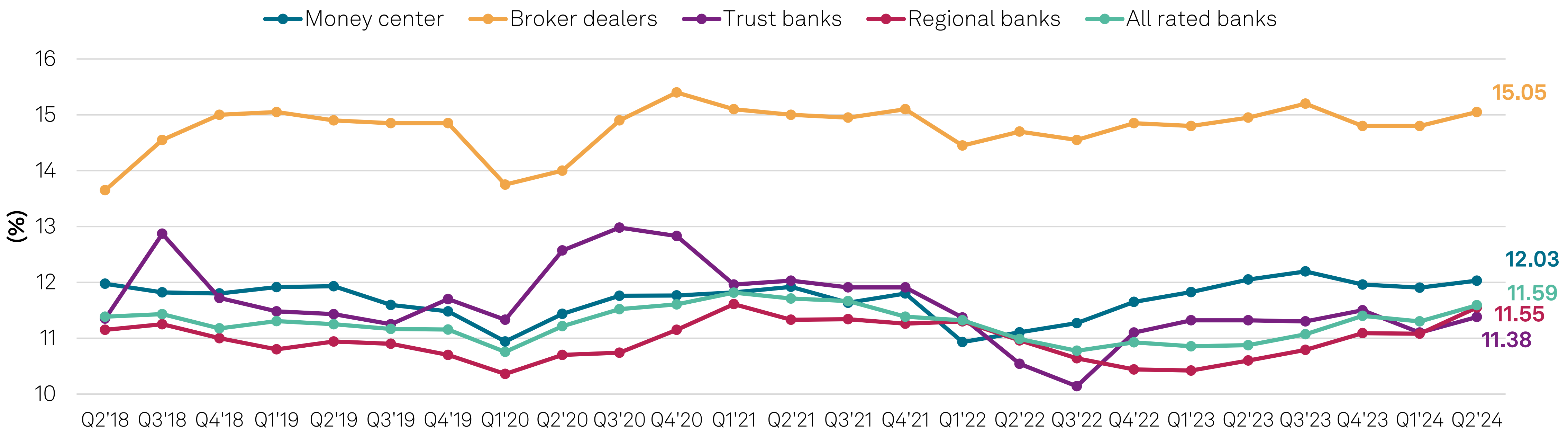
Capital

Regulatory Capital Ratios Rose Modestly For Most Banks In Q2 2024

- Several factors drove higher capital--solid earnings, muted loan growth, higher stress capital buffers, active risk-weighted assets management, continued concern about the economy, and uncertainty around regulatory developments.

Median CET1 of rated banks



Note: Transitional calculations. Excludes foreign U.S.-based subsidiaries in portfolio. CET1--Common equity Tier 1 ratio. Sources: S&P Global Ratings, bank regulatory filings, and S&P Global Market Intelligence.

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Large Banks' Capital Will Hinge On Basel III Finalization

- All category I and II banks have excess capital--but to varying degrees--including their new preliminary stress capital buffers.
- The Basel III endgame proposal to strengthen capital requirements for large banks could result in higher minimum capital requirements, though there is uncertainty about when and how it will be implemented.

Common equity Tier 1 ratio--Basel III fully phased in

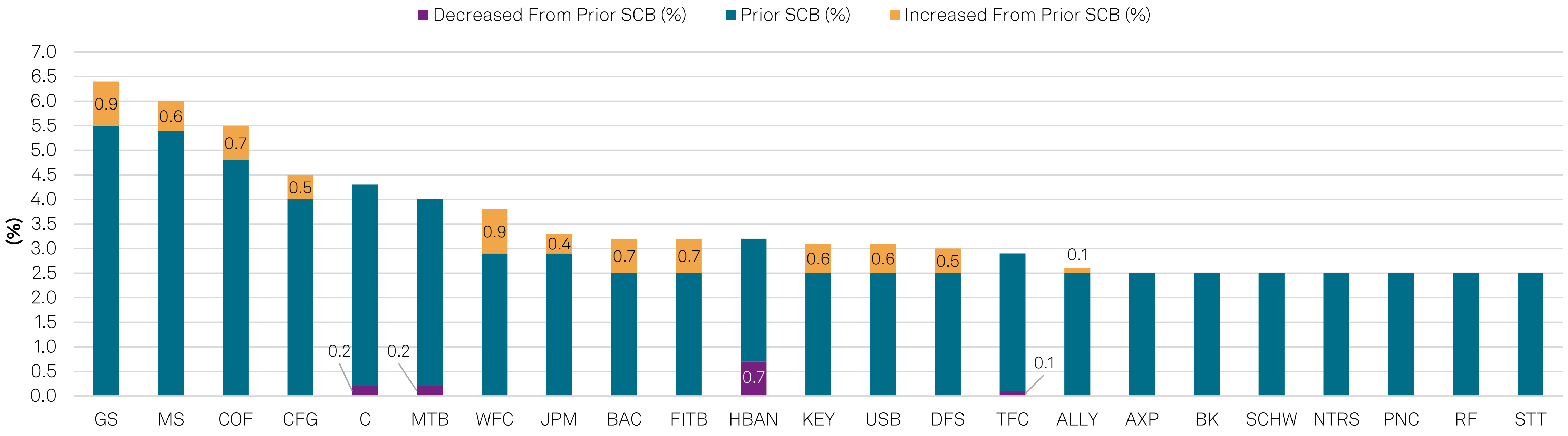
	Q2 '24		Q1 '24		Q/Q change (bps)		Adv. / Std. (lower of the two) Q2 '24	Stress capital buffer (SCB)*	Std. CET1 minimum requirement	Current CET1 surplus (deficit) over (under) minimum requirement
(%)	Std.	Adv.	Std.	Adv.	Std.	Adv.				
BAC	11.9	13.5	11.9	13.4	0	10	S	3.2	10.7	1.2
C	13.6	12.2	13.5	12.0	10	20	A	4.1	12.1	1.5
JPM	15.3	15.5	15.0	15.3	30	20	S	3.3	12.3	3.0
WFC	11.0	12.3	11.2	12.4	-20	-10	S	3.8	9.8	1.2
MS	15.2	15.5	15.0	15.4	20	10	S	6.0	13.5	1.7
GS	14.9	15.9	14.6	15.9	30	0	S	6.4	13.9	1.0
BK	11.4	11.5	10.8	11.1	60	40	S	2.5	8.5	2.9
STT	11.2	12.0	11.1	11.7	10	30	S	2.5	8.0	3.2
NTRS	12.6	13.9	11.4	13.5	120	40	S	2.5	7.0	5.6

*Stress capital buffer (SCB) from June 2024 DFAST results. New SCB effective Oct. 1, 2024. GSIB--Global systematically important bank. CET1--Common equity Tier 1 ratio. Sources: Company filings, S&P Global Ratings, the Federal Reserve Board, and S&P Cap IQ Pro.

Stress Capital Buffers Rose For Most U.S. Banks In The Fed Stress Test

- Higher credit card balances, riskier C&I portfolios, and constrained fee income were the main drivers of higher SCBs.
- Still most banks increased their dividends, and we expect share repurchases to pick up.

Estimated stress capital buffers

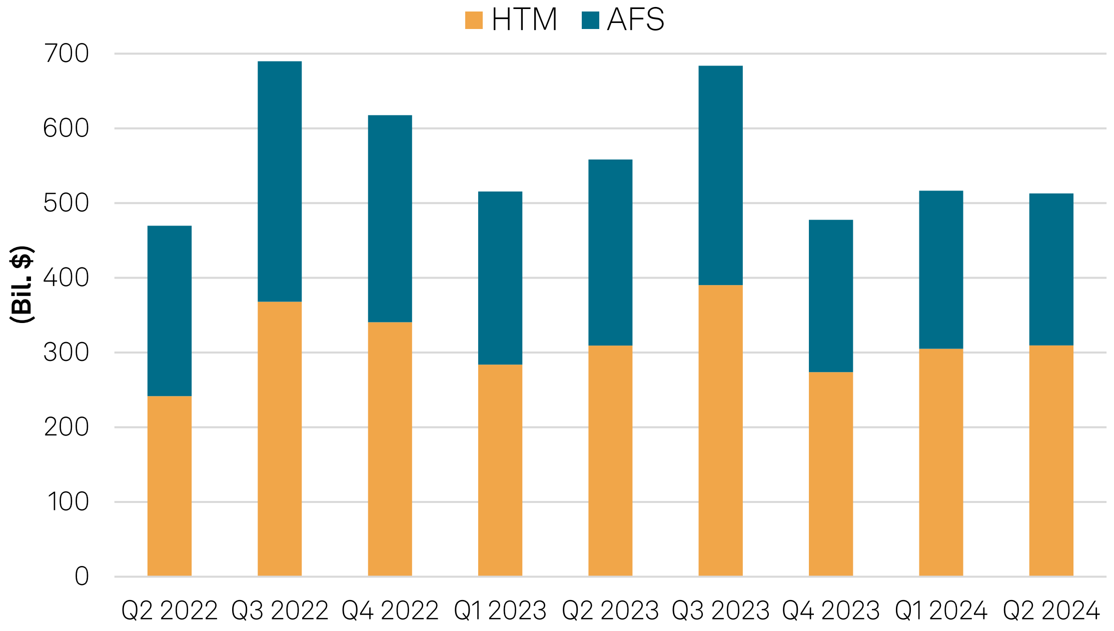


Stress capital buffer (SCB) will be effective on Oct. 1, 2024. Sources: Federal Reserve stress test results 2024, 2023, and 2022; company filings; and S&P CapIQ Pro.

Unrealized Losses On Securities Were Relatively Flat In Q2

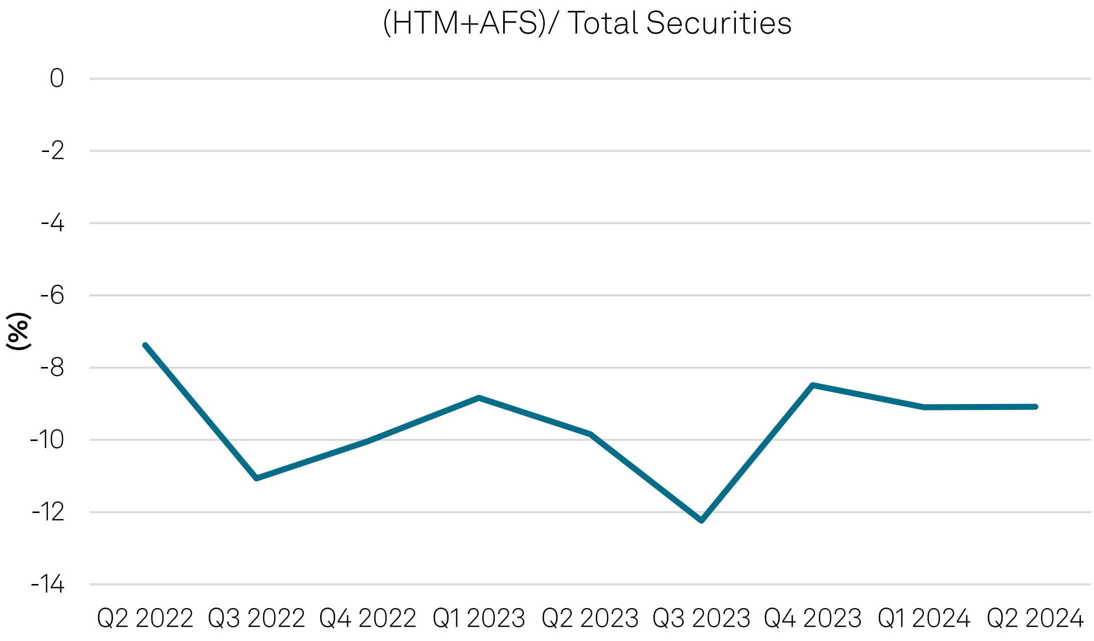
- Expected rate cuts should help reduce unrealized losses, which remain sizable.
- Some banks such as Truist, Trustmark, Synovus, and Commerce have repositioned their securities portfolios to help boost NII.

All FDIC-insured banks: unrealized losses on securities



FDIC--Federal Deposit Insurance Corp. AFS--Available for sale. HTM--Held to maturity. Sources: S&P Market Intelligence and FDIC.

All FDIC-insured banks: unrealized losses/total securities



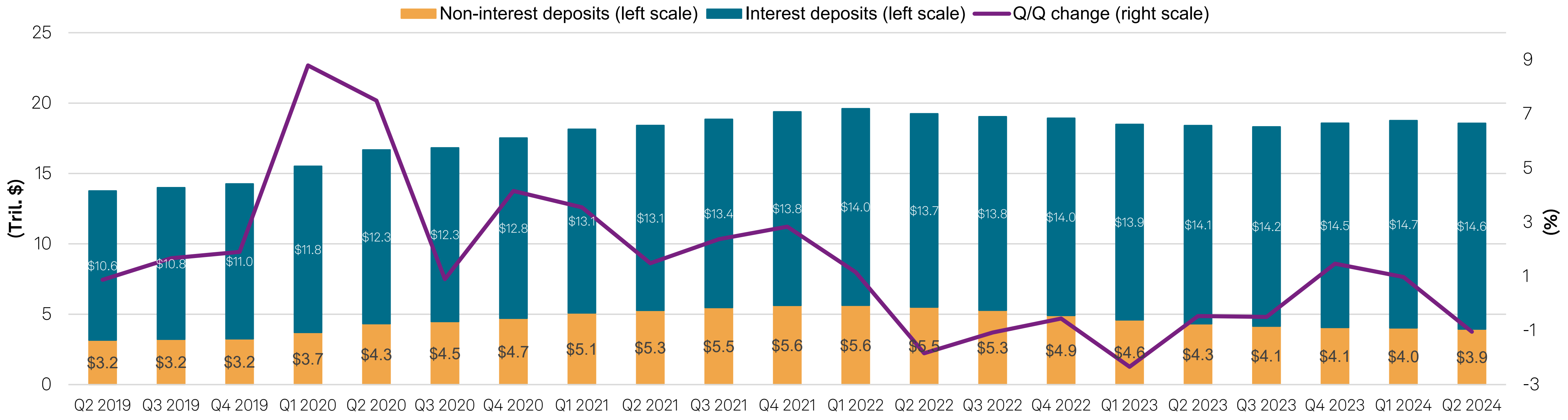
Sources: S&P Market Intelligence and FDIC.

Funding And Liquidity

Deposits Declined 1% From Q1 2024 After Rising In The Two Prior Quarters

- Continued quantitative tightening and more stringent deposit pricing were the main causes of the decline in deposits.
- Although non-interest-bearing deposits continued to decline, they seem to be stabilizing.

All FDIC-insured banks: total deposits

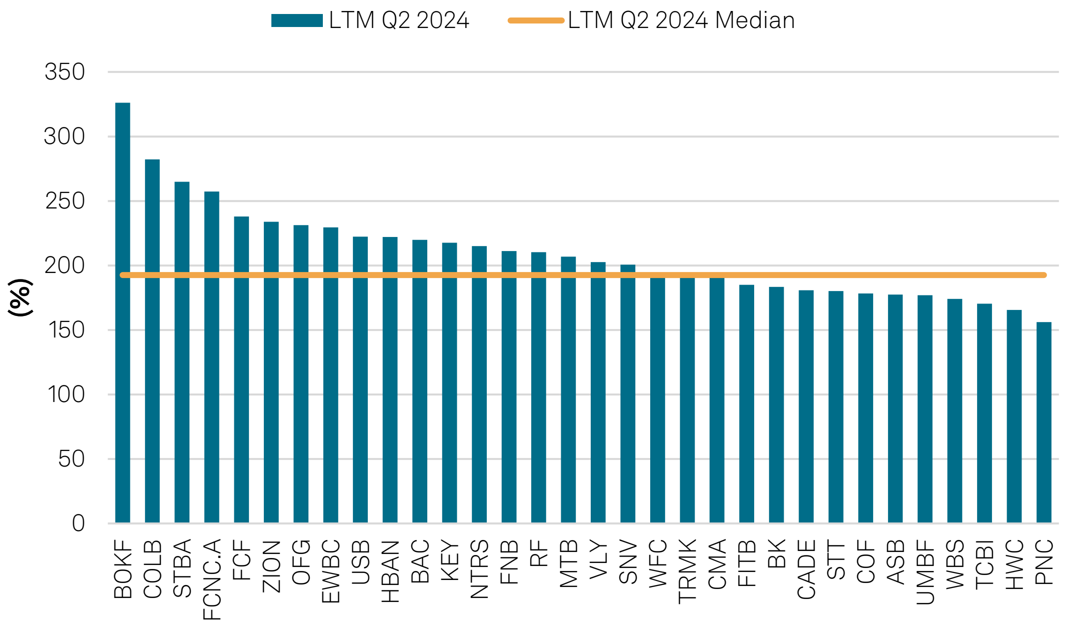


Source: S&P Global Market Intelligence.

Deposit Costs Rose Incrementally But May Begin To Ease With Rate Cuts

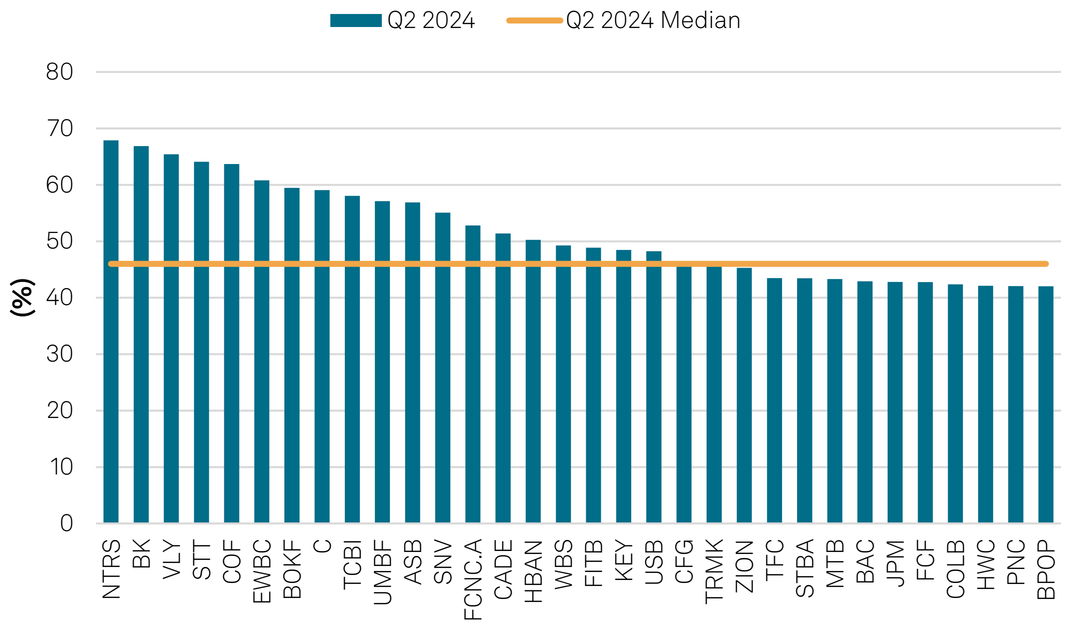
- Deposit costs rose about 10 bps at the median for rated banks in the quarter, causing a slight uptick in full-cycle deposit betas.
- With our expectation of a rate cut in September, we expect deposit costs to begin to decline but may lag asset yields.

Trailing-year deposit betas of rated banks in Q2 2024



Note: The deposit beta is calculated as the change in the cost of total deposits from Q2 2023 to Q2 2024 divided by the change in the average daily effective fed funds rate from Q2 2023 to Q2 2024. Sources: FDIC and S&P Global Ratings.

Full-cycle deposit betas of rated banks in Q2 2024



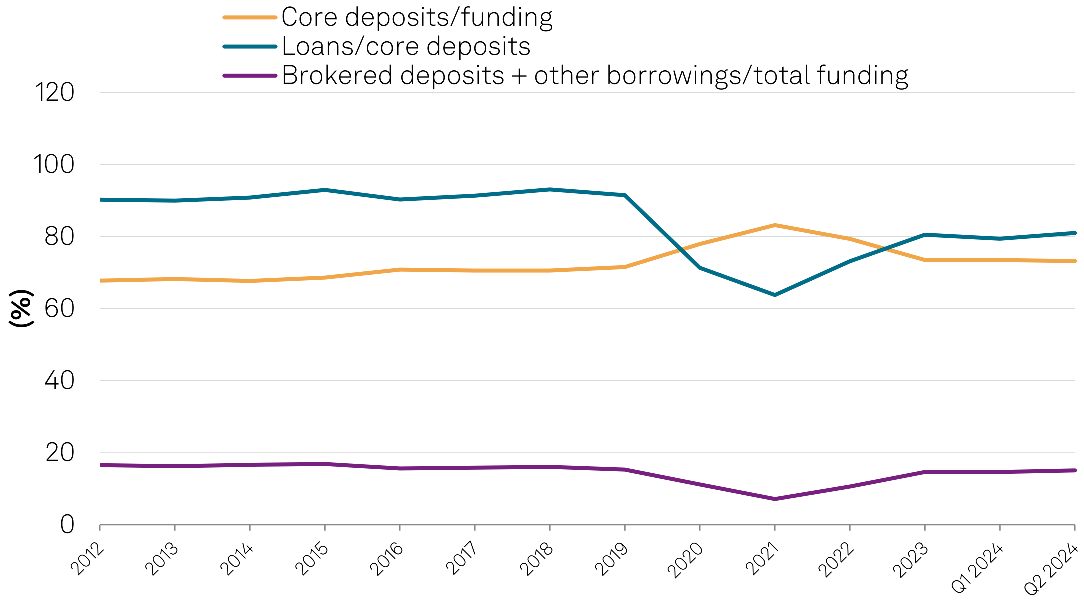
Note: The deposit beta is calculated as the change in the cost of total deposits from Q2 2022 to Q2 2024 divided by the change in the average daily effective fed funds rate from Q2 2022 to Q2 2024. This may exclude certain banks that did not report their cost of total deposits. Source: S&P Global Ratings.

Funding And On-Balance-Sheet Liquidity Have Stabilized

- Modest loan growth has limited pressure on funding ratios such as loans to deposits.
- Banks continue to closely manage liquidity, in part by shoring up contingent sources of funding.

Funding measures of commercial banks

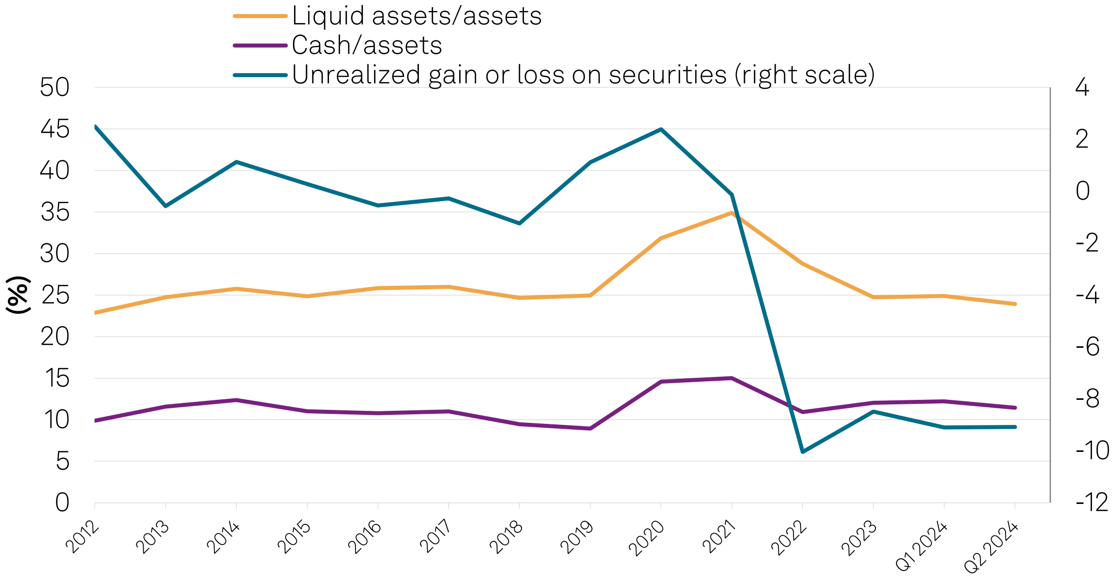
Core deposits = deposits less brokered, jumbo, and foreign deposits



Total funding includes deposits, federal funds purchased, repurchase agreements, subordinated debt, and other borrowings. Source: S&P Global Market Intelligence.

Liquidity measures of commercial banks

Liquid assets = cash + unpledged securities + Fed funds



Source: S&P Global Market Intelligence.

Key Risks And Regulation

Key Risks For U.S. Banking Sector

Soft versus **hard landing**

Uncertainty with **monetary policy** and its impact on **asset prices**

Maturities and stress affecting CRE

Broad asset quality **deterioration**

Declines in deposit costs **lag asset yields materially when rates begin to fall**

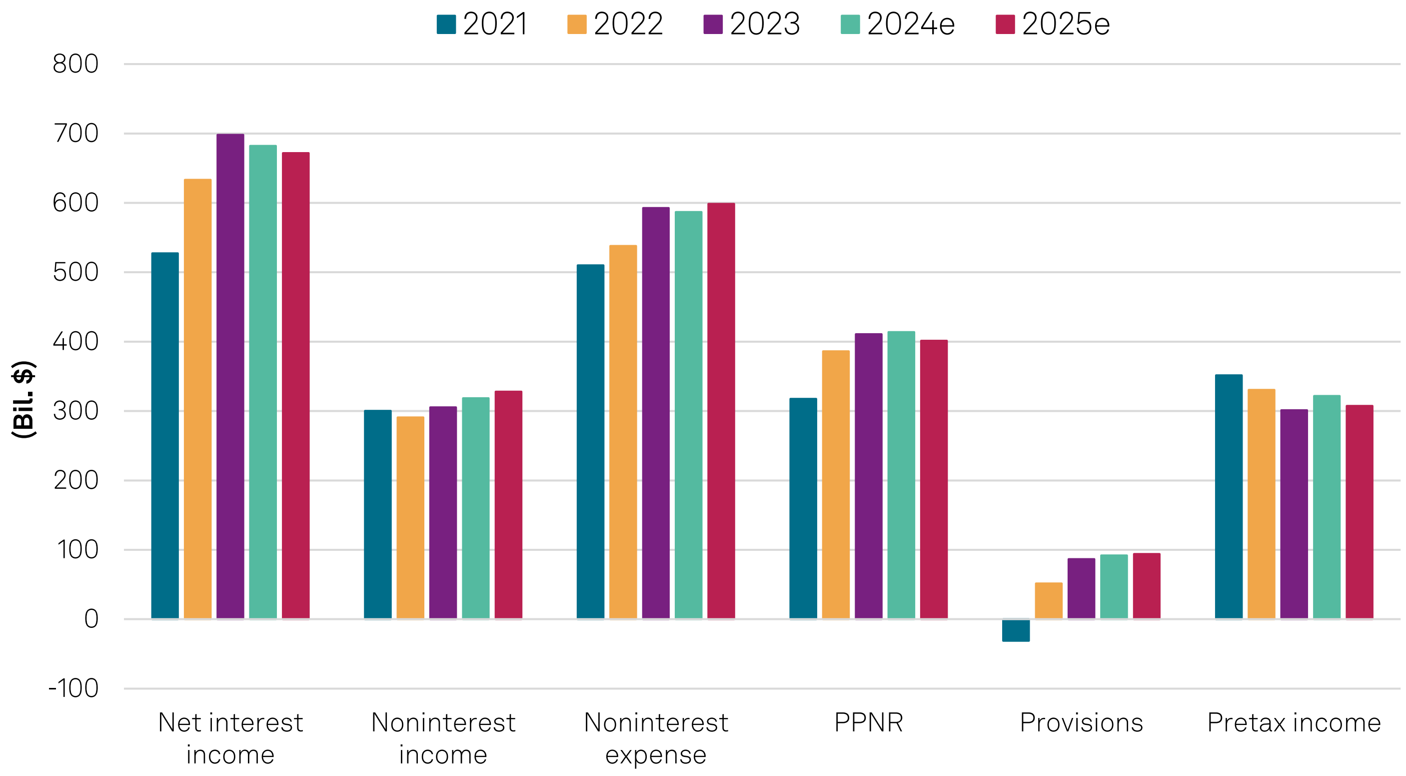
Geopolitical risks

Business and financial challenges related to **changing regulations**

Challenges from nonbanks, fintech, and cybersecurity

Forecast | Bank Earnings Prove Fairly Resilient Despite NII Pressure

Earnings forecast, all FDIC-insured banks



Source: S&P Global Ratings.

- In our base-case forecast, we expect banks to earn returns on common equity of about 11% in 2024 and 10%-11% in 2025.
- Some improvement in fee income helps offset further NII and NIM pressure and incremental growth of expenses and provisions.
- We assume continued economic growth, modest loan growth, and lower rates with avoidance of a hard landing.
- In a downside scenario, perhaps with a mild recession, higher provisions and weaker fee income would drive profitability into the single digits.

2024 U.S. Elections: Timing Of Potential Changes In Regulatory Leadership

Regulatory Organization	
Federal Reserve System (Fed)	• Terms of Chairman Powell, Vice Chair for Supervision Barr, and one other board member expire in 2026. • Term of Vice Chair Jefferson expires in 2027. • Other three board members have terms lasting past the next administration.
Federal Deposit Insurance Corp. (FDIC)	• President Biden has nominated Christy Goldsmith Romero to replace Martin Gruenberg as chair of the five-member board at the FDIC. The FDIC board is made up of three presidential appointees, including the chair and vice chair, as well as the Comptroller of the Currency and the Director of the Consumer Financial Protection Bureau. • Not more than three of the members of the Board of Directors may be members of the same political party.
The Office of the Comptroller of the Currency (OCC)	• The Comptroller of the Currency is appointed by the Treasury Secretary. The appointment requires Senate confirmation. • Michael Hsu is acting Comptroller but has not received Senate confirmation.
Consumer Financial Protection Bureau (CFPB)	• President can replace Director
Federal Housing Finance Agency (FHFA)	• President can replace Director
Securities and Exchange Commission (SEC)	• The SEC has five commissioners, appointed by the President, with staggered terms of five years. No more than three commissioners may belong to the same political party. The President also designates one of the commissioners as chair. • Chair Gensler's term expires in 2026. • President Biden recently nominated one commissioner for a second term. The terms of the three other commissioners will expire during the next Presidential term.

Source: S&P Global Ratings

Regulators Updated Resolution Planning, But LTD Requirements Not Finalized

- **In August 2023, regulators made three proposals pertaining to resolution planning:**
  1. An LTD requirement for large banks (at least $100 billion in assets).
  2. An FDIC rule to strengthen the resolution planning of large insured depository institutions (IDIs).
  3. Fed and FDIC guidance to help banks with more than $250 billion in assets develop their resolution plans.
- **The LTD proposal has not been finalized.**
- **However, in June 2024, the FDIC finalized its rule for large IDIs.**
  - Large IDIs associated with a global systemically important bank (GSIB) will file a resolution plan every two years. Other large IDIs will submit every three years.
  - IDIs with $50 billion-$100 billion in assets will submit more limited resolution informational filings.
- **In August 2024, the Fed and FDIC finalized the resolution guidance.**
  - The guidance is organized around key areas of potential vulnerability, such as capital, liquidity, and operational capabilities.
  - It makes distinctions depending on whether plans are designed with a single or multiple points of entry.

Q&A

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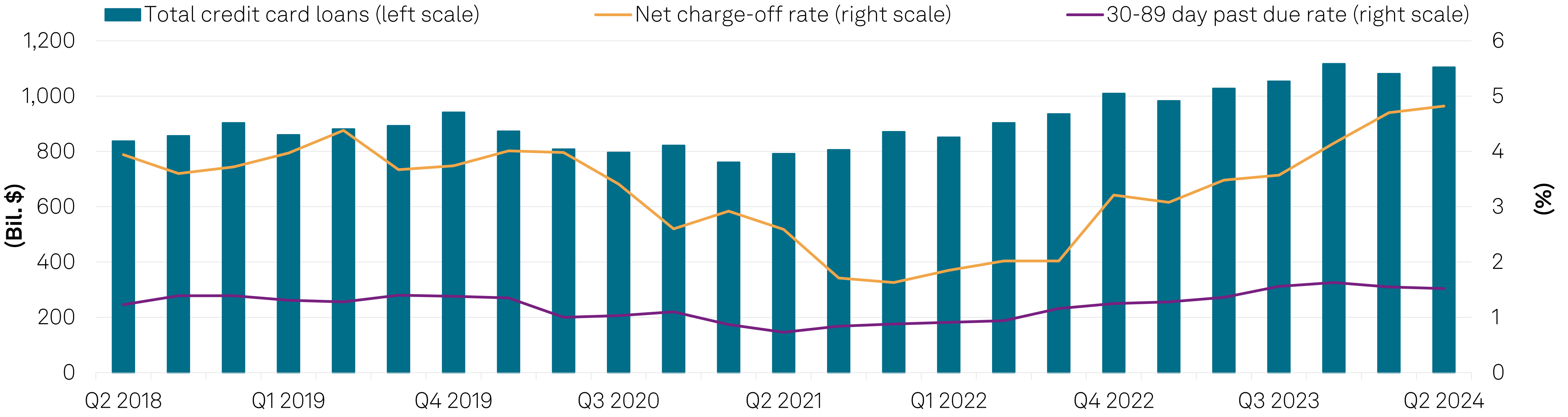
Appendix

Credit Card Balances Are Growing And Charge-Offs Are Rising

- Charge-offs have accelerated following a sharp rise in balances and amid declining consumer savings.



Top 10 largest credit card lenders as of first-quarter 2024 (Bil. $): sample is roughly 90% of total industry card loans

- JP Morgan: 180
- Citigroup: 167
- Capital One: 138
- Discover: 99
- Bank of America: 98
- American Express: 97
- Synchrony: 94
- Wells Fargo: 53
- Barclays US LLC: 30
- U.S. Bancorp: 28

Sources: S&P Global Ratings, FDIC Quarterly Banking Profile, and regulatory filings.

S&P Global Ratings

Category II-IV Banks Will Likely Need To Issue LTD To Support Resolution

- We estimate these banks will need to issue more than $60 billion of long-term debt (LTD) to meet the proposed requirements.
- We could consider raising ratings on some bank subsidiaries, depending on the amount of LTD and other factors.

	Higher of holdco. LTD Min: RWA, assets, or leverage	Potential LTD issuance need (excluding holdco. deposits)	Potential LTD issuance needs if holdco. deposits restructured as LTD	ALAC ratio based on current debt outstanding (%)	Expected ALAC ratio after LTD debt issuance (%)
Ally Financial Inc.	RWA	8.9	5.8	4.8	8.3
American Express Co.	RWA	8.4	0.0	8.1	8.1
Capital One Financial Corp.	RWA	13.9	0.0	5.5	5.5
Charles Schwab Corp.	Assets	11.6	11.6	8.5	13.4
Citizens Financial Group Inc.	RWA	6.2	4.8	2.6	4.9
Discover Financial Services	RWA	5.4	5.4	1.4	4.3
Fifth Third Bancorp	RWA	7.9	2.9	3.8	5.1
First Citizens Bancshares Inc.	RWA	9.4	9.4	0.2	5.7
Huntington Bancshares Inc.	RWA	3.9	2.5	4.0	5.6
KeyCorp	RWA	6.2	4.3	2.4	4.9
M&T Bank Corp.	RWA	6.9	5.9	1.9	5.4
Northern Trust Corp.	RWA	0.4	0.4	3.7	4.0
Regions Financial Corp.	RWA	6.3	5.8	1.2	5.1
Synchrony Financial	RWA	3.9	1.8	2.4	3.4
The PNC Financial Services Group Inc.	RWA	3.9	0.3	4.7	4.8
Truist Financial Corp.	RWA	8.6	3.9	4.5	5.3
U.S. Bancorp	RWA	5.7	0.0	5.4	5.4
Total	-	117.6	64.8	-	-

Data as of June 30, 2024. Note: Total does not include excess deposits. Holdco. and subsidiary banks LTD requirement is based on max of 6% of RWA, 3.5% of average consolidated assets, or 2.5% of leverage exposure for banks subject to supplementary leverage ratio. Holdco. estimated eligible LTD is the sum of other borrowed money with a remaining maturity of more than one year and subordinated notes and debentures (FR Y-9LP Schedule PC 14. + FR Y-9LP Schedule PC 16. - FR Y-9LP Schedule PC-B Memo 2). Subsidiary banks' estimated eligible LTD is the sum of subordinated debt and the holdco.'s non-equity investments in bank subsidiaries (Call Report Schedule RC 19. + FR Y-9LP Schedule PC-A 1.b.1). We make no deduction for debt maturing within one to two years due to lack of available data. Such data may lead to somewhat higher LTD requirements than shown here. Holdco. deposits in subsidiary banks is from FR Y-9LP Schedule PC 1.a. These estimates assume the intercompany deposits could be restructured. S&P Global Ratings RWA used to calculate ALAC ratio is as of year-end 2023. LTD--Long-term debt. RWA—Risk-weighted assets. Holdco.--Holding company. Sources: Company filings, S&P CapIQ Pro, and S&P Global Ratings.

Subgroups Of Rated Banks

Money center banks
Bank of America Corp.
Citigroup Inc.
JPMorgan Chase & Co.
Wells Fargo & Co.

Trust banks
Northern Trust Corp.
State Street Corp.
The Bank of New York Mellon

Broker-dealers
Morgan Stanley
The Goldman Sachs Group Inc.

Large regional banks
Ally Financial Inc.
BMO Financial Corp.
Citizens Financial Group Inc.
Fifth Third Bancorp
First Citizens Bancshares Inc.
HSBC USA Inc.
Huntington Bancshares Inc.
KeyCorp
M&T Bank Corp.
PNC Financial Services Group Inc.
Regions Financial Corp.
Santander Holdings USA Inc.
Truist Financial Corp.
U.S. Bancorp

Consumer-focused banks
American Express Co.
Bread Financial Holdings, Inc.
Capital One Financial Corp.
Discover Financial Services
SLM Corp.
Synchrony Financial

Regional banks
Associated Banc-Corp
Bank of North Dakota
BOK Financial Corp.
Cadence Bank
Columbia Banking System, Inc.
Comerica Inc.
Commerce Bancshares Inc.
Cullen/Frost Bankers Inc.
East West Bancorp Inc.
First Commonwealth Financial Corp.
FirstBank Puerto Rico
F.N.B. Corp.
Hancock Whitney Corp.
OFG Bancorp
Popular Inc.
S&T Bank
Synovus Financial Corp.
Texas Capital Bancshares Inc.
Trustmark Corp.
UMB Financial Corp.
Valley National Bancorp
Webster Financial Corp.
Zions Bancorporation N.A.

Note: Large regional and consumer-focused banks may be included with regional banks throughout presentation. Data in presentation may exclude certain domestic subsidiaries of foreign banks and certain other banks that do not file Y-9Cs.

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