



2024 COMPREHENSIVE CAPITAL ANALYSIS AND REVIEW (CCAR)

On June 26, the Federal Reserve released its 2024 annual stress tests of large banks. All 31 banks subject to testing this year met minimum capital requirements under the severe adverse economic scenarios crafted by the Fed, which included residential housing prices falling 36%, commercial real estate values dropping 40%, and unemployment rising to 10%. One of the more notable differences between this year and last year was equity prices falling 55% in the 2024 scenario versus 45% in 2023.

The 2024 stress test results showed that banks were slightly more vulnerable, with a collective drop in key capital ratios at 2.8 percentage points, the largest drop in six years. The 31 large banks subject to the test absorbed nearly \$685 billion in losses, an increase of \$144 billion from the previous year. Some of the factors that drove this decline were increases in credit-card balances and higher delinquency rates, along with corporate credit portfolios becoming riskier. Higher expenses with lower fee income in recent years also played a key factor in projected losses.

Larger banks have been running leaner in recent quarters due to the impending move of the Basel III “endgame,” which will increase capital reserve requirements. While major U.S. banks remain well positioned to deal with a severe recession, debates over Basel III continue — with a final decision not expected until after the election in November.

Banks were able to release their capital return plans on June 28. We believe most banks remained cautious on both dividend increases and share buyback plans ahead of final decisions on new capital reserve requirements. Dividend increases ranged from no change (for Truist Financial) to a 14% increase (for Wells Fargo), as banks assessed their individual expectations for capital needs under the new requirements.

Overall, we believe the results demonstrated a clean bill of health for large banks under severe adverse economic scenarios that the Federal Reserve makes more stringent each year. We note that even large potential losses in commercial real estate, currently one of the weakest segments of lending portfolios for banks, were able to be absorbed without impacting banks’ broader lending capabilities.

Here are the dividend plans for the major banks.

- Bank of America Corp. (BAC): New quarterly dividend of \$0.26, an increase of 8% from the current rate.
- Bank of New York Mellon Corp. (BK): New quarterly dividend of \$0.47, an increase of 12% from the current rate.
- Citigroup Inc (C): New quarterly dividend of \$0.56, an increase of 6% from the current rate.
- Bank of Fifth Third Bancorp (FITB): New quarterly dividend of \$0.37, an increase of 6% from the current rate.
- Goldman Sachs Group Inc. (GS): New quarterly dividend of \$3.00, an increase of 9% from the current rate.
- JPMorgan Chase & Co. (JPM): New quarterly dividend of \$1.25, an increase of 9% from the current rate.
- M&T Bank Corporation (MTB): New quarterly dividend of \$1.35, an increase of 4% from the current rate.
- Morgan Stanley (MS): New quarterly dividend of \$0.93, an increase of 9% from the current rate.
- PNC Financial Services (PNC): New quarterly dividend of \$1.60, an increase of 3% from the current rate.
- State Street Corp. (STT): New quarterly dividend of \$0.76, an increase of 10% from the current rate.
- Truist Financial Corp. (TFC): Quarterly dividend of \$0.52, unchanged from the current rate.
- U.S. Bancorp (USB): New quarterly dividend of \$0.50, an increase of 2% from the current rate.
- Wells Fargo & Co. (WFC): New quarterly dividend of \$0.40, an increase of 14% from the current rate.

ACTION ALERT!

Argus Research Co. (ARC) is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. In addition, this content is not prepared subject to Canadian disclosure requirements. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock. Argus Investors' Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products. Recipients of the Research reports in Singapore should contact the Intermediary of the Research Reports in respect to any matters arising from, or in connection with, the analysis of the report. Where the recipient is not an accredited, expert or institutional investor as defined by the Securities and Futures Act, the Intermediary accepts legal responsibility for the contents of Research Reports in respect of such recipient in accordance with applicable law. When reports are distributed by Intermediaries in Singapore, the Intermediary, and not Argus Research, is solely responsible for ensuring that the recipients of the Research Reports understand the information contained in the Research Reports and that such information is suitable based on the customer's profile and investment objectives.
