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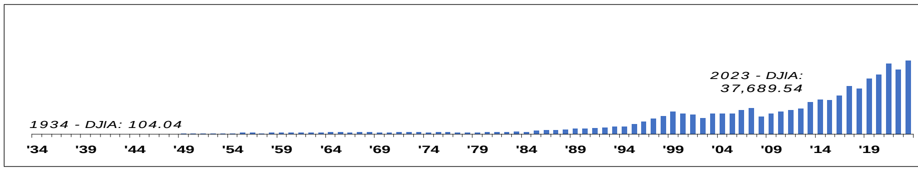


JULY 1, 2024

# 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 $093, 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 $052, 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.

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