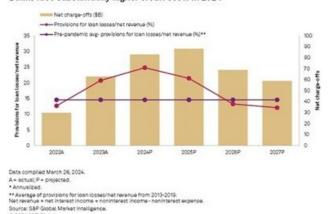
S&P Global Market Intelligence U.S. Bank Market Report Finds Earnings are Expected to Fall 2.8% year-over-year in 2024, but Rebound Strongly in 2025

NEW YORK, April 16, 2024 /PRNewswire/ -- Higher credit costs are expected to serve as a modest headwind to U.S. bank earnings this year, according to S&P Global Market Intelligence's newly released *U.S. Bank Market Report* U.S. bank earnings are expected to dip 2.8 percent year-over-year, excluding the purchase gains associated with the three failed bank acquisitions in 2023, as modest margin pressure and notably higher credit costs prevent earnings growth.

"Even as interest rates are expected to fall in the second half of 2024, deposits remain firmly in focus for U.S. banks," said **Nathan Stovall, director of financial institutions research, S&P Global Market Intelligence** "Customers continue to shift funds into higher-cost products and demand higher rates for their funds, while regulators are encouraging banks to hold more liquidity, leading to pressure on net interest margins. That pressure will eventually subside but will be replaced by higher credit costs, particularly as banks begin to recognize losses on their commercial real estate portfolios and reserve for future problems."

Earnings should rebound strongly for most institutions in 2025 and 2026 as institutions weather the credit cycle, absorb losses and record lower provisions for loan losses. This in turn could bring many investors back to the banking group, and banks whose credit quality outperforms others should attract even greater investor interest as they will boast even stronger earnings streams that allow them to play offense through organic growth and by using their superior currency for acquisitions.

Banks face substantially higher credit costs in 2024



Key highlights from the report include:

- Fierce deposit competition should persist amid regulatory pressures and higher-for-longer interest rates as banks place a higher value on deposits than other forms of funding.
- Bank credit quality is expected to weaken in 2024 and 2025, led by higher delinquencies and losses in the commercial real estate (CRE) portfolios, but the deterioration will serve as a hit to earnings rather than a threat to safety and soundness for most institutions.
- Regulators have reiterated the importance of banks maintaining strong risk management of their CRE portfolios, particularly for institutions with elevated CRE concentrations. In some cases, regulators have imposed independent minimum capital requirements for banks with elevated CRE concentrations.
- U.S. bank earnings are expected to rebound strongly in 2025 and 2026 as provisions for loan losses decline and become a much smaller headwind to earnings.

To request a copy of the 2024 U.S. Bank Market Report, please contactoress.mi@spglobal.com.

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