

Quarterly Insights: Financial Services

U.S. Financial Services Regulatory Center

Q3 2026

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Quarterly Insights: Financial Services Q3 2026

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Quarterly Insights: Financial Services Q3 2026

Learning Objectives

This session highlights the Q3 2026 developments that matter most to financial institutions, and why they matter. Strong results are being tested by a faster-moving environment, so the focus is on whether plans and risk frameworks hold up when conditions change.

Upon completion of this program, participants will be able to:

- Analyze Q3 2026 economic and banking-industry indicators to evaluate the durability of record earnings and identify planning implications for margins, credit, and funding.
- Distinguish final, proposed, and directional regulatory actions and evaluate how recalibrated supervisory expectations affect risk ownership.
- Evaluate the difference between liquidity on paper and usable liquidity and identify contingency funding and board oversight practices that strengthen readiness.
- Apply a conditional approval and de novo readiness framework, which may also be relevant to mergers, to assess whether plans work in practice.



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Q3 At-a-Glance: Strong Headlines, Hidden Vulnerabilities

Strong headline performance may coexist with underlying vulnerabilities.

01 Economy & Banking

ON THE SURFACE

Record $90.1B net income; ROA 1.37%

UNDERNEATH

Margin up just 1 bp (3.32%); one-time gains; uninsured deposits up $317.4B

02 Supervision

ON THE SURFACE

Less process and fewer prescriptive steps

UNDERNEATH

Greater emphasis may be placed on each bank's analysis and judgment

03 Liquidity

ON THE SURFACE

Ratios and buffers on paper

UNDERNEATH

How quickly can available liquidity be mobilized?

04 Strategic Execution

ON THE SURFACE

Approval granted or deal signed

UNDERNEATH

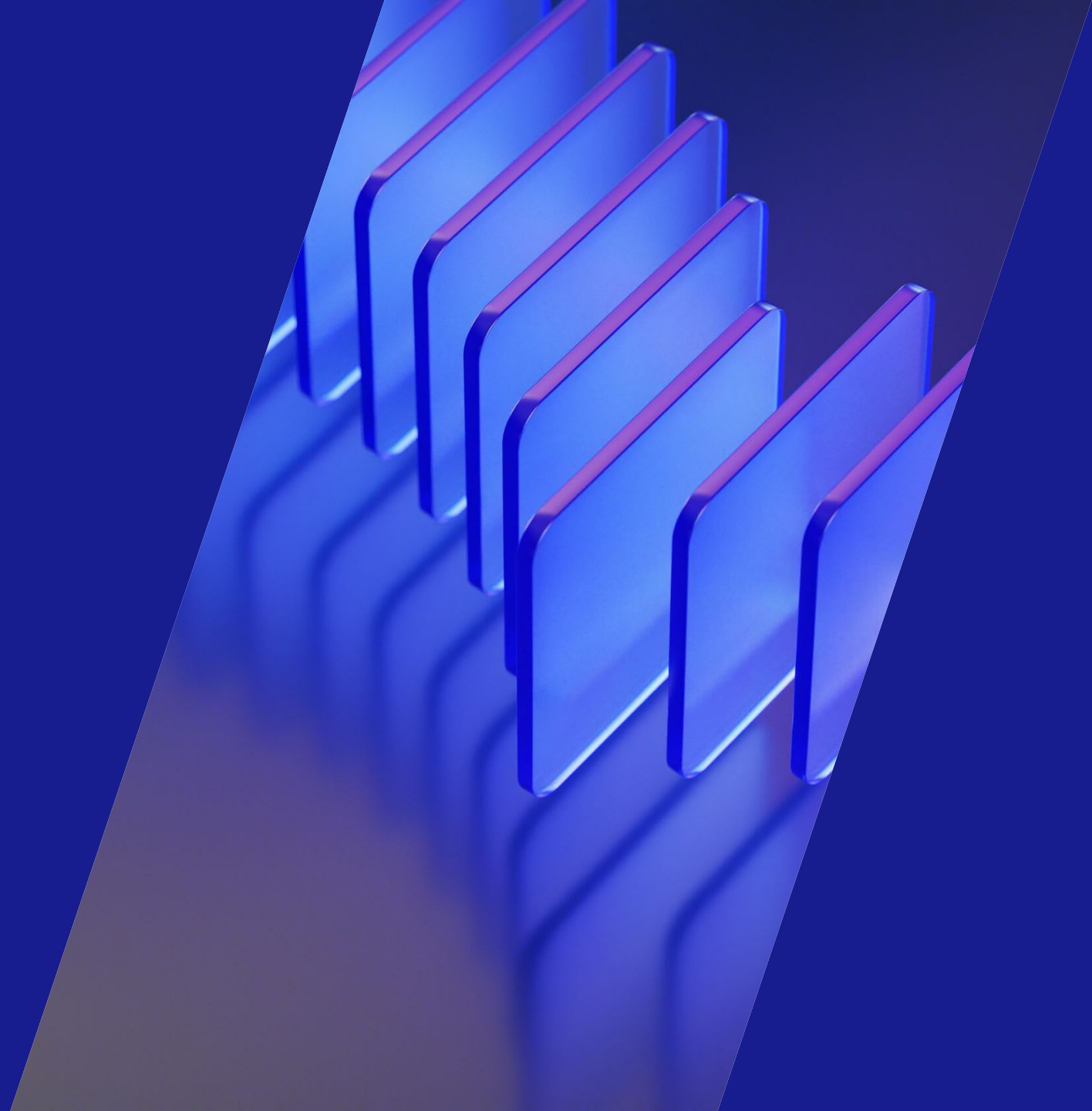
Projections may become benchmarks that examiners evaluate

The question for every section: will our plans and risk frameworks work when conditions change quickly?

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01

Economic & Banking Environment: From Relief to Reversal



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The Quarter in Numbers: Growth Held, Conditions Tightened

Growth held up and banks posted record earnings, but the quarter's hopeful start reversed: energy rebounded, the Fed raised rates for the first time since July 2023, and the 10-year Treasury reached levels not seen since 2007.

The indicators at right frame the planning questions for today's session.

Latest Readings vs. Prior Period

Real GDP	Headline CPI	Core CPI	Unemployment	Payrolls
2.2%	**3.4%**	**2.4%**	**4.2%**	**+29K**
Q2 2026, 3rd est. Prior: 2.5% (Q1 2026)	Aug., YoY Prior: 4.2% (May peak)	Aug., YoY Prior: 2.9% (May)	Sept. Prior: 4.3% (May)	Sept. Prior: +21K (July, rev.)
▼ 0.3 pts	▼ 0.8 pts	▼ 0.5 pts	▼ 0.1 pts	▲ +8K

Fed Funds Target	10-Year Treasury	Brent Crude	Bank Net Income	Industry ROA
3.75%–4.00%	**5.29%**	**$91**	**$90.1B**	**1.37%**
Raised Sept. 16 Prior: 3.50%–3.75%	Sept. 30 close Prior: 5.0% (Sept. 15)	Aug. average Prior: ~$75 (late June)	Q2 2026, record Prior: $80.4B (Q1 2026)	Q2 2026 Prior: 1.26% (Q1 2026)
▲ +25 bps	▲ +0.29 pts	▲ +$16	▲ +$9.7B	▲ +11 bps

Sources: BEA, BLS, Federal Reserve, EIA; bank data from FDIC Quarterly Banking Profile, Q2 2026 (latest available). Periods as shown.

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From Relief to Reversal: Energy & Rates Turned Back Up

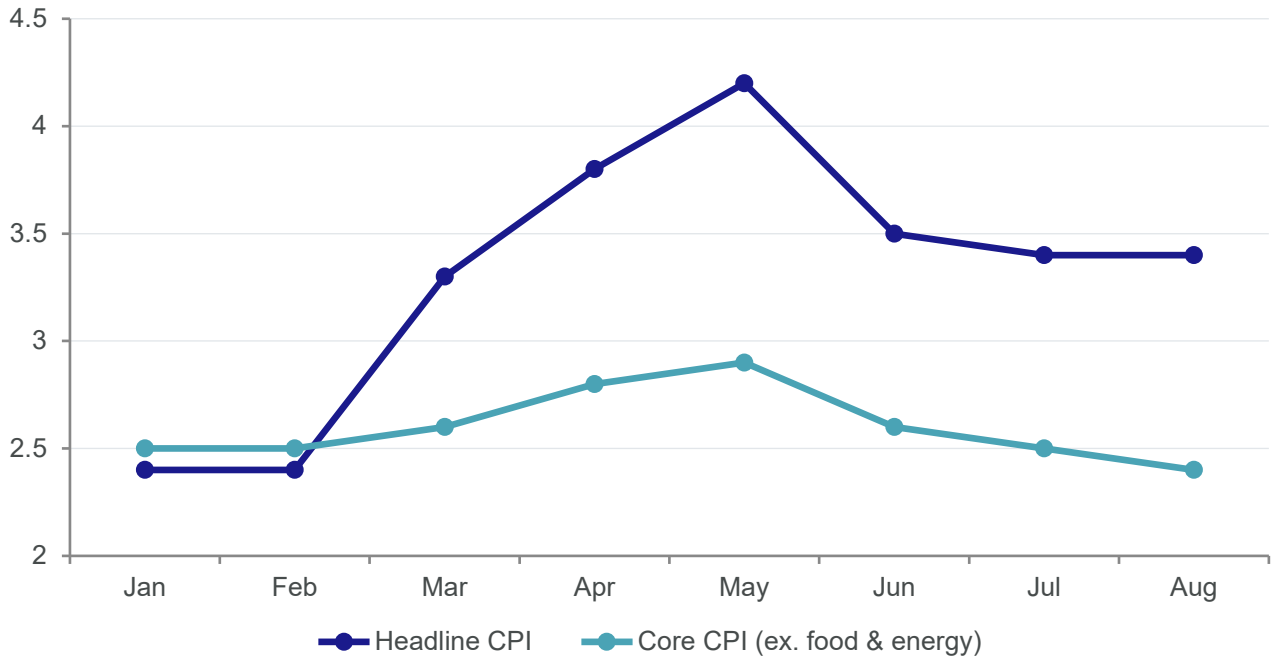
Early Summer
Ceasefire, falling energy prices, Fed on hold

Summer
Gulf hostilities resume; Hormuz disrupted. Brent averages $91 in Aug. vs. ~$75 in late June

Sept. 10
Brent settles at $107.63, highest since May

Sept. 16
FOMC raises rates, the first increase since July 2023

Headline vs. Core CPI, Monthly (YoY %, 2026)



Sources: BLS (CPI, monthly YoY); EIA (Brent). Conflict onset late February.

WHAT THIS MEANS: Consider incorporating core CPI into pricing and loan loss planning and evaluating energy costs as a potential multi-quarter condition. EIA forecasts cited here project Brent near $90 through Q4 and a $74 average in 2027

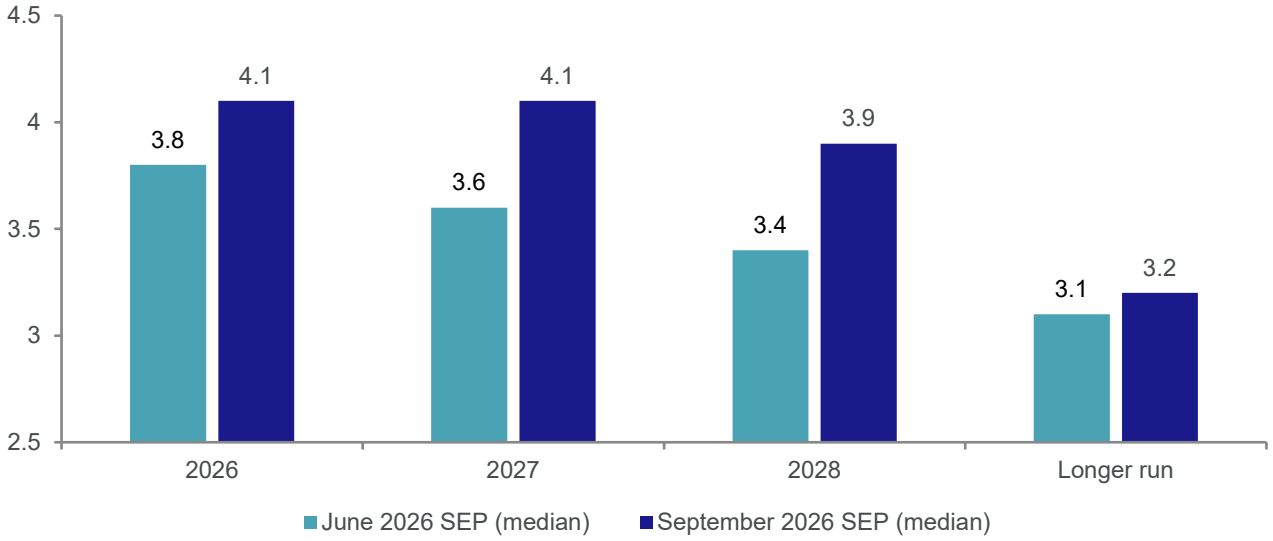
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Rates & the Household: Tighter Conditions, Thinner Cushion

Fed Funds Median Projection (%): June vs. September 2026 SEP



3.75%–4.00% Fed funds target after the unanimous Sept. 16 increase; 16 of 18 officials expect at least one more this year

5.29% 10-year Treasury close on Sept. 30; reached 5% on Sept. 15, the highest since 2007

Real wages negative
Earnings +3.0% vs. headline CPI 3.4%

Sentiment near record low
Michigan 48.1 (final Sept.)

Credit elevated, not worsening
Card 6.97%, auto 3.00% new 90-day delinquency transition

WHAT THIS MEANS: Funding costs may reprice faster than past-cycle deposit betas assume. Institutions may want to reevaluate asset-liability assumptions developed for an easing-rate environment.

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Record Earnings, Shifting Mix: How Durable Are They?

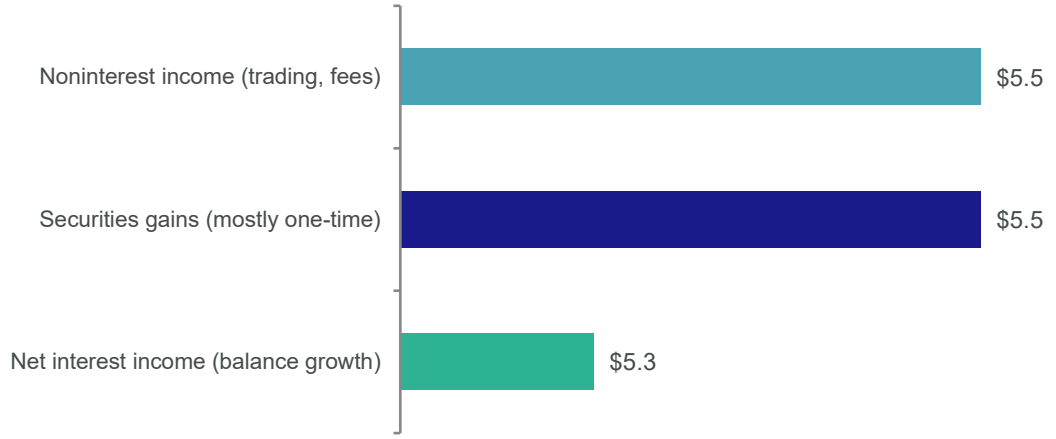
$90.1B
Net income
Record; +12.0% QoQ

1.37%
Return on assets
+11 bps QoQ

3.32%
Net interest margin
+1 bp QoQ

Source: FDIC Quarterly Banking Profile, Q2 2026.

Selected Positive Drivers Compared With Q1 2026 ($B; negative offsets excluded)



Selected components do not reconcile to the total quarterly change because negative offsets are not shown.

The Community Bank Exception

- NIM up 10 bps to 3.81% as funding costs fell
- Reserve coverage slipped to 145.6% as noncurrent loans rose

BOARD QUESTION: How much of today's earnings would recur if one-time gains normalize and the margin stays flat?

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Under the Headline: Deposit Mix & Credit Exposure

Deposits: Stable Total, Shifting Mix

+0.8%

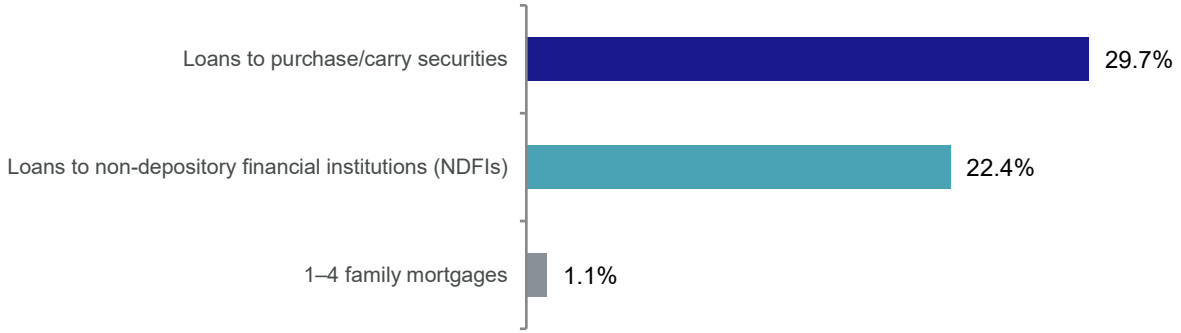
Total domestic deposits; the eighth straight quarterly increase

+$317.4B
Uninsured balances

≈ –1%
Insured balances

The total portrays stability; the shift toward uninsured balances warrants renewed attention to concentration and depositor behavior.

Credit: Fastest Growth in a Nontraditional Place



NDFI loans +$279.1B; securities-related loans +$131.3B (year over year).

Supervisors are watching: the Fed added NDFI questions to its April loan officer survey, and the OCC named NDFI concentrations a monitoring priority.

IMPLICATION: Consider evaluating contingency funding in relation to the insured and uninsured deposit mix, rather than total deposits alone, and assessing where credit exposure ultimately flows.

Sources: FDIC Quarterly Banking Profile, Q2 2026; Federal Reserve and OCC statements.

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Bottom Line: What This Means for Financial Institutions

Risk Area	What Changed	Planning Considerations
Margins	Fed raised rates Sept. 16; more hikes expected; funding costs may reprice faster than past cycle betas	Model net interest income across cut, hold, one-hike, and two-hike paths; test deposit betas
Credit	Negative real wages; sentiment near record low; energy cost pressure	Test allowances against sustained energy costs, higher rates, and flat wage growth
Liquidity	Eighth quarter of deposit growth, driven by uninsured balances	Stress contingency funding against 2023-style scenarios
Securities	10-year Treasury at 5.29%; Q2 unrealized securities losses totaled $326.7B	Re-test capital sensitivity to unrealized losses before extending duration
Operations	Renewed conflict elevates cyber and infrastructure risk	Strengthen and test cyber, third-party, and continuity programs

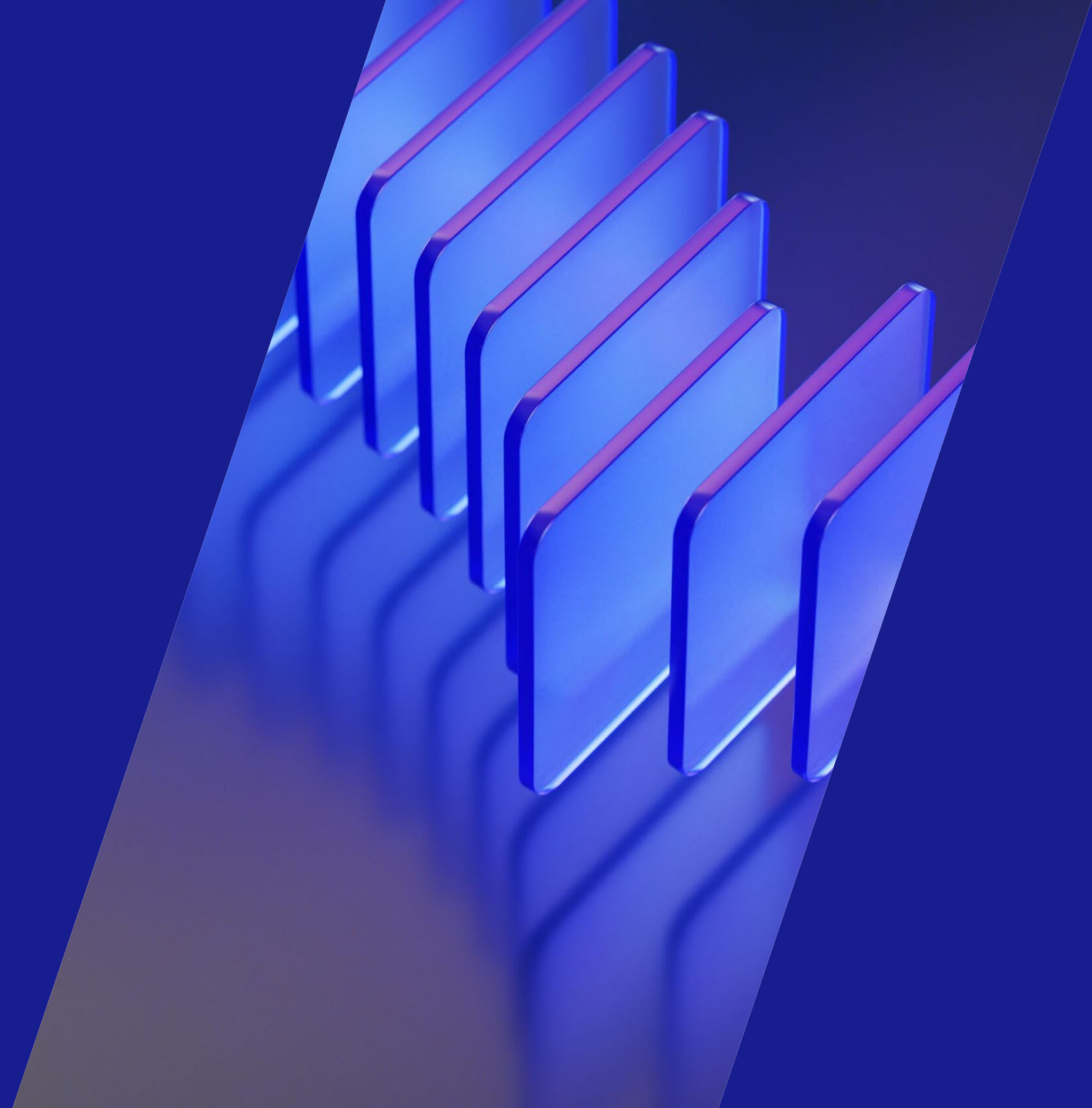
BOTTOM LINE: For some institutions, risks flagged last quarter may now represent active exposures. Have asset-liability assumptions developed for easing been reevaluated for a tightening environment?

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02

Regulatory & Supervisory Recalibration



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Recalibration, Not Retreat: Three Themes

Not a retreat from safety and soundness, but a reweighting of where regulatory friction sits.

1 New Rules of Engagement

HOW EXAMINERS AND BANKS INTERACT

- MRAs and 'unsafe or unsound'
- CAMELS ratings
- Exam frequency and merger review

2 Prudential Framework Rebuild

MOVING IN A DELIBERATE SEQUENCE

- Stress testing, then capital
- Liquidity trails both
- Resolution and assessments

3 Compliance & New Activities

MOVING TOWARD OPERATIONAL REALITY

- AML/CFT and GENIUS Act
- Third-party risk and CRA
- SEC and crypto rules

How to read the status chips on the next slides

FINAL / EFFECTIVE — Finalized; effective now or on the stated effective date

PROPOSED — Comment period run or running; a final rule may follow

DIRECTIONAL SIGNAL — Officials have signaled direction; no rule exists

COMMON THREAD: Less process, greater focus on material financial risk, and greater weight on each bank's own analysis.

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Theme 1: New Rules of Engagement With Examiners

FINAL / EFFECTIVE

Final: Effective Nov. 2 (OCC & FDIC)

- Defines 'unsafe or unsound': conduct likely to materially harm financial condition or risk loss to the DIF; reputational harm excluded
- Formal criticism generally limited to MRAs, enforcement actions, cited violations
- Findings must rest on objective facts; FDIC drops 'board attention' category
- Federal Reserve did not join

FINAL / EFFECTIVE

Already in Place

- Merger review back to pre-2024 standards
- FDIC continuous exam threshold raised from $10B to $30B in assets
- Consumer compliance exams less frequent for eligible institutions

PROPOSED

Proposed: Awaiting Action

- OCC: violations of law and MRA use (Sept. 1)
- CAMELS: removes 'special consideration' for management in composite ratings; first material change since 1996
- FDIC merger review: deemed approval for de minimis deals in as little as five days (Sept. 17)

WHAT BOARDS SHOULD ASK: Firmer ground to contest findings helps only if reasoning is documented, and Fed-supervised entities are not covered. Are MRA files ready by Nov. 2?

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Theme 2: Rebuilding the Prudential Framework, in Sequence

Stress Testing

FINAL / EFFECTIVE

- Final Sept. 30; transparency rule effective Nov. 2
- SCB averaging (≥$100B) starts 2028: steadier buffers, but one weak result counts for two cycles

Capital

PROPOSED

- Three March proposals (mostly ≥$100B); comments closed June 18
- Bowman expects finalization before year-end; not assured
- Already final: eSLR (Apr. 1, GSIBs); CBLR 8% (July 1, <$10B)

Liquidity

DIRECTIONAL SIGNAL

- No proposal; Treasury calls it the 'next big-ticket item'
- Formal proposal unlikely before year-end; roundtables or advance notice more likely

Resolution & Assessments

PROPOSED

- IDI resolution plan threshold $50B to $100B
- Assessment rates cut 1–2 bps; small/large line $10B to $30B

Order of operations: stress testing is done, capital is next, liquidity trails.

WHAT THIS MEANS: Plan capital and distributions now for steadier but less forgiving buffers, and use the liquidity runway to prepare rather than wait for a rule.

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Theme 3: Compliance & New Activity Regimes Are Becoming Operational

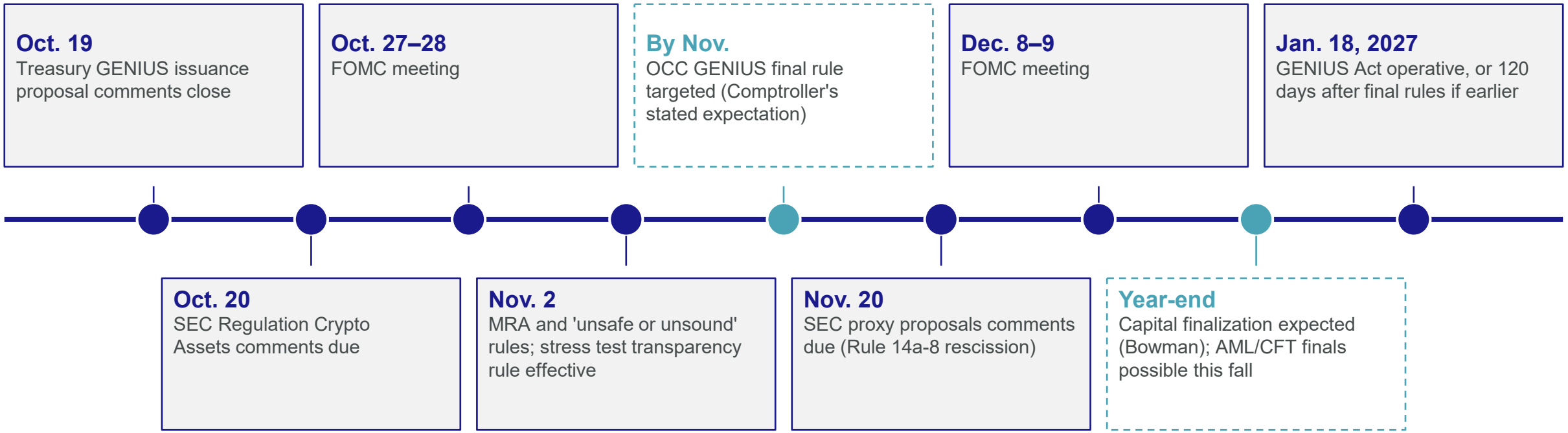
Area	Status	What it means	Timing signal
AML/CFT	PROPOSED	Shifts focus to program effectiveness, risk assessment, and governance across four coordinated proposals	Fall final possible for FinCEN and joint agencies; FRB likely early 2027
GENIUS Act stablecoins	PROPOSED	Implements the new payment stablecoin regime across issuance, reserves, AML, and customer identification	Statute operative Jan. 18, 2027, or 120 days after final rules, if earlier; OCC targets a final rule by November
Third-party risk (TPRM)	PROPOSED	Replaces existing guidance; nonbinding, principles-based, tailored to each relationship's risk	Proposed Sept. 11; watch whether specific expectations are layered back in
CRA	PROPOSED	Third reform attempt aimed at less burden and statutory focus; Fed did not join	OCC and FDIC proposed in August
SEC proxy and crypto	PROPOSED	Rule 14a-8 rescission; tailored crypto registration exemptions and safe harbor	Comments due Oct. 20 (crypto) and Nov. 20 (proxy)

BOTTOM LINE: Less documentation does not mean less judgment. The quality of board and management judgment matters more than ever.

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Q3 Regulatory Watchlist: What to Watch Through Year-End

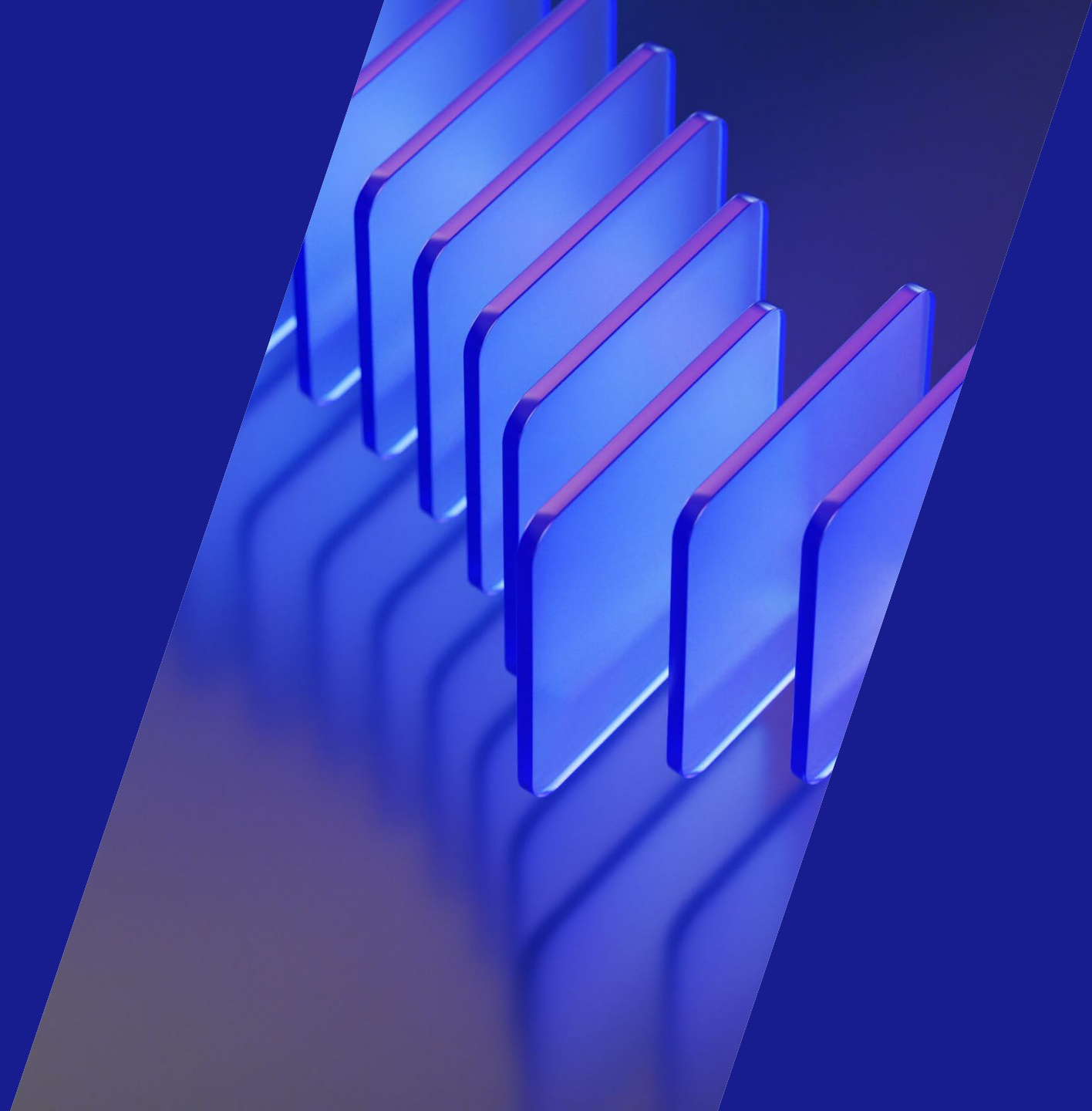


BOTTOM LINE: Treat the fall not as a lull but as a phase of a multiyear recalibration cycle.

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03

Liquidity Risk Management Readiness



Why Liquidity Is Back in Focus: Speed

~50%

Historical example: Approximately 50% of Silicon Valley Bank's domestic deposit base was withdrawn within several business days around its failure. Current operations may allow some outflows to develop more rapidly.

Source: FDIC staff study, May 2026

How the Clock Has Changed

Legacy model: outflows build over days or weeks

Today: outflows can build in hours *(illustrative)*

1. **Concentrated, largely uninsured depositors**
   Can move balances by wire and increasingly by mobile app

2. **Growth in uninsured commercial balances**
   Raises the potential size of an outflow event

3. **Thinner buffers, less diversified or app-based funding**
   May behave differently than legacy liquidity models assume

THE SHIFT: Supervisors are moving from 'Do you hold enough liquid assets?' to 'Can you mobilize them in time?'

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Liquidity on Paper vs. Liquidity You Can Actually Use

Liquidity on Paper

- LCR and NSFR met (large banks) or internal liquidity stress limits met
- Static buffers of high-quality liquid assets (HQLA)
- Behavioral assumptions built on pre-2023 depositor behavior

THE GAP

Usable Liquidity

- Assets and funding that can be mobilized within a narrowing window
- Collateral properly pledged; documentation current
- Named owners, realistic timelines, and staff who know the steps

DIRECTIONAL SIGNAL **What officials are signaling (no proposal has been released)**

- LCR credit for collateral pre-positioned at the discount window, capped in normal times and expandable in stress
- Reducing discount window stigma; debate on whether rules encourage 'liquidity hoarding' of HQLA

WHY IT MATTERS: These signals may provide an indication of possible supervisory direction. Institutions may want to use the current period to evaluate the gap between reported and operationally available liquidity and consider appropriate board visibility.

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Closing the Gap: Six Readiness Steps & Board Oversight

1 Operationalize the contingency funding plan

Named sources, owners, and realistic access timelines

2 Test discount window and FHLB access

Collateral pledged, documents current, staff practiced

3 Reassess depositor behavior

Uninsured balances up $317.4B; pre-2023 models may understate speed

4 Diversify funding deliberately

Wholesale, brokered, correspondent, and FHLB options

5 Elevate liquidity to the board

Recurring reports: metrics, stress results, plan testing

6 Get ahead of examiners

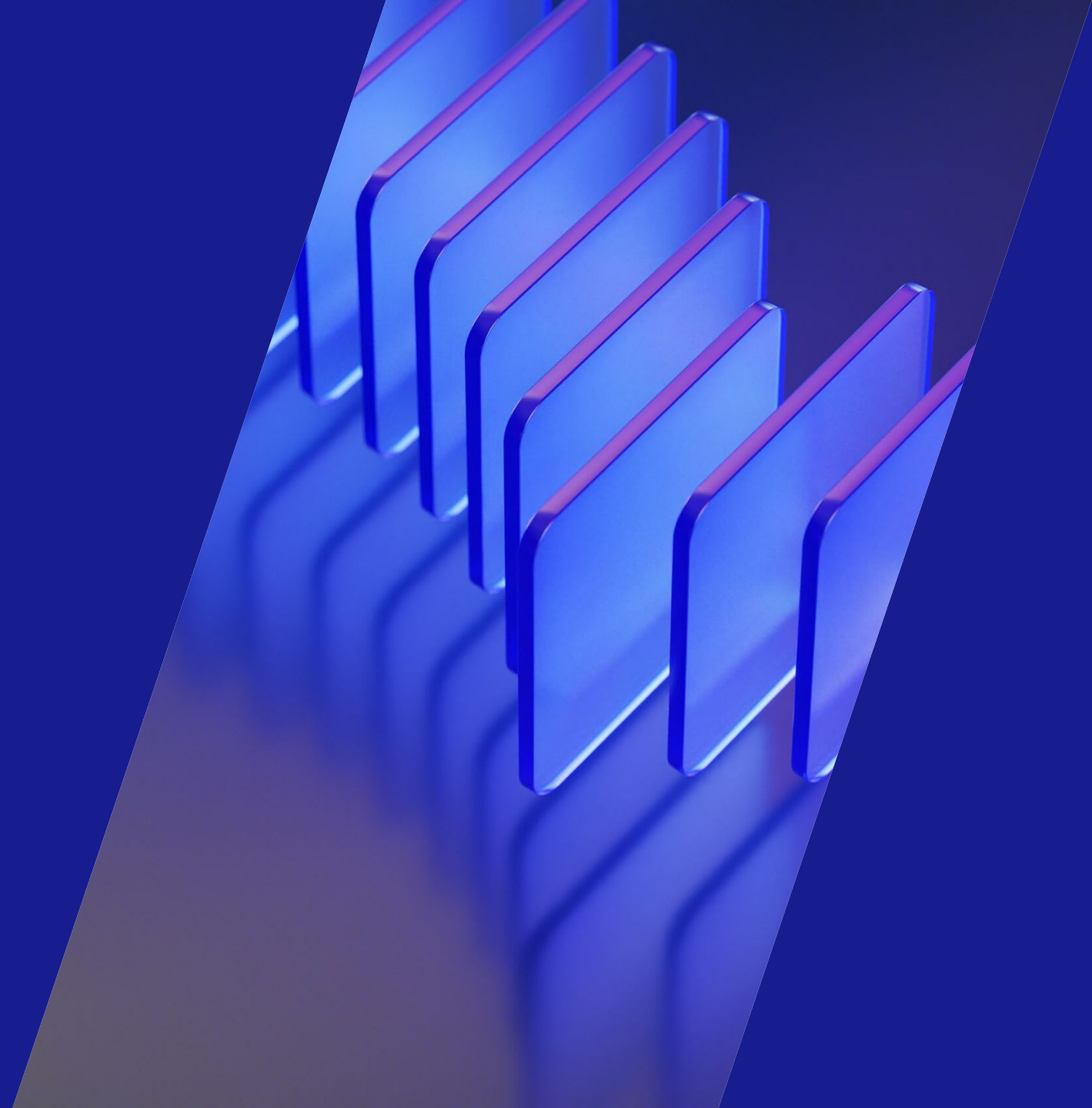
Walk them through updated assumptions and test results

BOTTOM LINE: Prepare for examiner discussions. Use the runway to close the gap between paper and usable liquidity, and give the board regular visibility.

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Conditional Approval & De Novo Readiness



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Conditional Approval Is the Starting Line

Application Filing and review	Organizational Phase About one year, sometimes more	De novo Period Operating years 1 to 3	Beyond Year 3 Conditions revisited
FDIC aims for contingent authorization within 120 days of filing, final approval within the next 12 months	Raise capital, build systems, governance, and finance function; pre-opening exam	Capital, business plan, dividend, and audit conditions; heavier supervisory attention	Exams normalize; peer comparison; strategic options widen

Firm clocks to track: OCC preliminary approval expires if capital is not raised within 12 months or the bank does not open within 18 months (absent an extension). FDIC orders typically lapse one year after issuance if insurance has not taken effect.

THE REFRAME: Approval is the point at which the projections in the application start to become commitments.

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Organizational Phase: Turning an Application Into a Bank

Capital

Close the raise on the plan's terms

Tier 1 leverage generally at least 8% through year three; pre-opening costs may create an opening deficit; deadlines are firm

Finance Function

Build it before the first deposit

General ledger, Call Report process, plan-vs-actual board reporting, rate and liquidity models, credit loss method; engage auditor early

Governance

Governance that operates, not just exists

Majority-independent board; outside-director audit committee; training; Regulation O and W processes from day one

Systems & Vendors

Test before the first customer

Core contracts contingent on approval; settle exit terms and pricing; preserve exam access; prompt vendor incident notice so the bank meets its 36-hour regulator notice

TREAT EVERY CONDITION AS A DELIVERABLE: each one needs an owner, a due date, and a file of evidence for the pre-opening process.

Pre-opening: state banks demonstrate readiness through the FDIC process; national banks request the OCC pre-opening examination. Deficiencies must be corrected before opening.

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Second and Third Lines: Independent Oversight That Works on Day One

Second Line: Risk & Compliance

- Board-approved risk appetite tied to plan limits
- Completed risk assessments: enterprise, BSA/AML and OFAC, consumer compliance, information security, third parties
- BSA/AML program sized to the actual business
- Compliance system: year-one testing calendar, new-product review, exception reporting to the board

Third Line: Internal Audit

- Board and management remain responsible, even if work is outsourced
- Audit manager ideally reports to the audit committee
- Before opening: charter approved, provider engaged, risk-based year-one plan adopted
- Sequence BSA testing, compliance reviews, financial audit, and first exams; track findings to closure

WHY IT MATTERS: The first examinations test whether the independent oversight described in the application actually operates.

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Years One to Three: The Business Plan Becomes the Benchmark

Expect examiners early and often

- **Within 6 months** — Limited-scope exam
- **Within 12 months** — Full-scope exam
- **Years 1 to 3** — At least one exam per year

Plan vs. Actual

Operate within the approved plan; give prior notice of significant deviations. Growing faster than planned is a deviation too. Monthly board reporting with variance explanations.

Capital Is Consumed First

Early losses reduce capital directly; cash dividends limited to net operating income in years 1 to 3.

Funding Concentrations

Early deposits rest on organizers, directors, and anchor customers. Tested contingency funding and escalation triggers matter.

Cost of Being New

FDIC premiums follow new-institution pricing for the first five years, typically at higher rates. CRE guidance uses supervisory screens, not hard limits.

ROAD to Housing Act (July 2026): qualifying community banks (<$10B) insured Jan. 1, 2026, to Dec. 31, 2028, may request plan deviations in years 1 to 2. The agency faces a decision deadline, but notice and approval are still required.

TAKEAWAY: Monthly plan-versus-actual reporting with variance explanations is the practical control.

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Same Discipline, Different Path: Mergers & Six Readiness Questions

The Stages Line Up

De Novo Path	Acquirer Path	What Carries Over
Application & due diligence	**Application & due diligence**	Defensible view of capital, earnings, risk, and management capacity
Organizational phase	**Signing to closing**	Conditions become tracked deliverables; systems and reporting built or harmonized
Pre-opening exam	**Day-one readiness**	What was described on paper must work in practice
De novo years 1 to 3	**Integration**	Projections become the benchmark; explain variances before examiners ask

Six Questions for Leaders

1. Does the capital plan hold the leverage ratio through year three if profits arrive late?
2. Can finance produce plan-versus-actual reporting from month one?
3. Is every approval condition assigned, dated, and evidenced?
4. Could risk, compliance, and audit show examiners their assessments and plans on day one?
5. Does the funding plan identify concentrations and triggers for changing course?
6. Would records support an exam or due diligence without reconstruction?

BOTTOM LINE: Approval or a signed deal is the starting line. Projections become commitments that examiners and buyers will test.

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