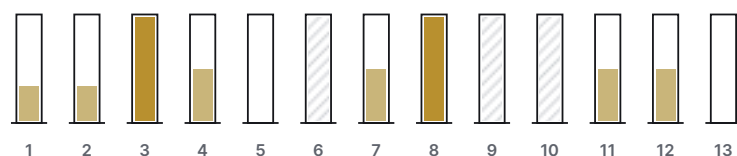


FINANCIALS THEMATIC · BANKS, PART 2 OF 2 · JPM · GS · C · WFC · BAC · MS · BLK · STT · SCHW · PNC · USB · BNY

US Banking After the Print

Part 1 asked whether the first hike of the cycle would turn the banking system's paper loss on its bond books into a real one. Twelve prints later, on the banks' own documents, the forced-sale branch did not open beyond one sale of size and the capital branch ran as computed: the books were run off and hedged rather than sold, the mark took 10 to 38 basis points of CET1 where its reach is printed and the two ranges Part 1 said it would breach held, deposits stayed, and the managements that gave a deposit beta — the share of a rate change they pass on to depositors — gave last cycle's. Their story moved the other way, to two or three more hikes and more net interest income, and the one thing that changed in behaviour was the pace of capital return, slower at three of the twelve for reasons each gave itself. What the calls worried about was not the bond book but the assets the banks finance: six managements named a risk in the AI build-out and none sized it, and the loan category with the largest dollar increase in the system went unmentioned at the three banks Part 1's test tracks. The market sold nine of the twelve on the day; tangible book per share fell at six of nine, the route by which the mark reaches a share price whether or not it reaches a ratio. Of Part 1's thirteen tests two fired, three held, Part 1 missed twice on its own rules, and the rest wait for the 10-Qs and the FDIC.

TON618 CAPITAL RESEARCH · AS OF 18 OCTOBER 2026



Thirteen tests, frozen before the prints.

2 fired · 3 held · 1 disclosed
2 none · 2 partly scored · 3 pending

Full post = fired · half = held or disclosed · empty = none
third = partly scored · hatched = pending

Part 1 of this note, published on 10 October, set out what the twelve were going into the quarter and froze thirteen tripwires, six watch items and a reversal block, so that the week could be scored rather than narrated. This is what the week taught, with the score as its receipt. It is written on the banks' own documents only: the releases, supplements and presentations filed to EDGAR on 13, 14 and 15 October, the cautionary section of each release read in full, Schwab's September activity figures, and the twelve calls archived with their provenance — the company's transcript where one is posted, independent transcriptions where it is not. The Q3 10-Qs, the Call Reports and the FDIC's quarterly profile post-date this note; every gauge that needs them is scored "pending" exactly as Part 1 froze it, and a November addendum closes them. Nothing from Part 1 is re-cut.

What this note answers

1. **What did the twelve prints teach about the industry?** Six findings: what the banks did with the bond book, the cost of money after the hike, the earnings story the managements now tell, how capital is being returned and why it slowed, the AI cycle as the calls treated it, and credit with the nonbank book inside it.
2. **What did each of the twelve teach about itself?** One entry per company, on its own documents.
3. **What risks do the managements name?** The risk sections of the twelve releases and the calls, read against the ranking Part 1 built from their July documents.
4. **How did Part 1's thirteen tests score?** The receipt: every tripwire, its silence branch and its document.
5. **Did the week move the line the market prices them on, and how did the market read it?** Part 1's fitted line re-struck on September book and nine-month returns, and the print-day reactions.
6. **What moved in Part 1, what stays open, and what would change the reading?** The claims the prints contradicted, the reversal block scored, and the ledger the November addendum closes.

2 or 3

HIKES THE OCTOBER OUTLOOKS
ASSUME WHERE JULY'S ASSUMED ONE,
LATE IN THE YEAR; THE NET INTEREST
INCOME GUIDES MOVED UP AT THREE
OF THE NINE COMPANIES THAT GIVE
ONE, HELD AT THREE, AND SLIPPED TO
THE LOWER END OF ITS RANGE AT ONE;
U.S. BANCORP RAISED A REVENUE
GUIDE, BNY'S JULY FIGURE IS NOT ON
FILE

The story. The hike reached the banks' deposit costs by 5–7 basis points and, where the mark is printed, their bond books by about the amount Part 1's arithmetic said it would, and it changed almost nothing in how they behave: the books are being run off into loans and cash and hedged, one firm sold at a loss in size, deposits grew at eight of the eleven with bond books, and the betas the managements cited are last cycle's, JPMorgan's consumer book running below its model. Their earnings story moved the other way, to two or three hikes where July's outlooks had one, and three raised a net interest income guide. What changed is capital return, slower at JPMorgan, Schwab and U.S. Bancorp for reasons each gave itself, while Bank of America, which kept buying, says the final rules set its pace — "we need to wait for the final rules". **Why it matters.** The risk the managements now talk about sits on the other side of the balance sheet from the one Part 1 tested. Six named a risk in the AI build-out they finance — "I would be surprised if anyone frankly was immune" to "a major change in sentiment in the AI space" (JPMorgan's chief financial officer) — and none sized it; the loan category with the largest dollar increase in the system went unmentioned at the three banks Part 1's test tracks, and the one bank that printed a page on it reported runoff where new deals did not meet its return threshold. The market priced the week on returns, as Part 1's line said it would, and sold nine of the twelve anyway; tangible book per share fell at six of the nine that print it, the route by which the mark reaches a share price whether or not it reaches a ratio. **The receipt.** Of Part 1's thirteen tests two fired, both on JPMorgan's securities line; three held; one was answered on the calls; two found silence; two are partly scored; three wait. Part 1 missed twice on its own rules: in size at Schwab, whose on-paper breach of its capital range never existed, and in basis at BNY, whose printed mark is net of the hedges the projection left out.

+5–7bp

Change in the average rate on interest-bearing deposits at JPMorgan, Bank of America, Citigroup and Wells Fargo, Q3 over Q2, against a funds rate up 25bp on 16 September and 3.6bp on the quarterly average; PNC attributes its rise to mix, USB about 2bp of its 7 to the hike; betas described as last cycle's, about 50%

–30 to –50bp

CET1 on the quarter at JPMorgan, Wells Fargo, Bank of America and Goldman Sachs; buybacks cut nine-tenths at JPM, halved at Schwab, paused at USB, each for a stated reason of its own; three managements date the final capital rules to year-end and Bank of America says they set its pace from here

\$658m

The one securities loss sale of size, JPMorgan's, "discretionary"; the industry ran its books off and hedged them instead — BAC funded \$34bn of loans from securities, BNY reinvests ~\$5bn a quarter 150–200bp higher, no held-to-maturity transfer or sale disclosed anywhere

2 of 13

Part 1 tripwires that fired, both at JPMorgan's securities line; three held, one disclosed, two silent, two part-scored, three pending; two Part 1 misses on its own rules — Schwab's mark moved \$164m against \$1.4bn projected; BNY's printed mark, net of hedges, 0.55x the unhedged fit

Terms used throughout, defined once. **AOCI:** accumulated other comprehensive income, the equity line where unrealized gains and losses on available-for-sale (**AFS**) bonds sit after tax, alongside cash-flow hedges, pension items and currency translation; held-to-maturity (**HTM**) bonds are carried at cost and their loss is a footnote. **The mark:** the unrealized gain or loss on a bond book. **CET1:** common equity tier 1, the core regulatory capital ratio. **Tier 1 leverage:** Tier 1 capital over average assets, no risk weights; Schwab's "adjusted" version puts AOCI back in. **ROTCE / P/TBV:** return on tangible common equity, and price to tangible book value, the two axes of the line in §5. **Deposit beta:** the share of a change in the policy rate that a bank passes through to the rate it pays on deposits, quoted cumulatively over a hiking or cutting cycle and usually on interest-bearing deposits; at a 50% beta a 25-basis-point hike raises the deposit rate about 12.5 basis points once repricing is complete. "Last cycle's" betas are the pass-through the managements saw over the last hiking and cutting cycle, which they now cite as the path for this one: "about a 50% or so" at U.S. Bancorp, "in the mid-50s" at PNC. **NDFI:** nondepository financial institutions — private-credit funds, mortgage companies, broker-dealers, insurers. **Fired / held / disclosed / none / pending:** a tripwire's condition was met; was tested and not met; a management stated the thing asked about; the documents were silent, scored as the silence branch Part 1 froze; cannot be tested until a later document.

✓ THE OTHER SIDE, FIRST

The case that the week was worse for the sector than this note reads it

Part 1 read the sector as healthy and the paper loss as an earnings drag, and tested the case that it was less healthy than that. The reading of this week most favorable to that case, in its own terms:

1. **The marks that are visible moved more, not less.** Total AOCI fell \$12.1 billion at JPMorgan, \$8.2 billion at Wells Fargo, \$3.2 billion at Bank of America, \$2.5 billion at U.S. Bancorp and \$2.3 billion at Citigroup — at JPMorgan 1.7 times and at Wells Fargo 1.6 times the after-tax AFS projection. JPMorgan's roll shows \$7.9 billion of that was securities; scoring Wells Fargo, U.S. Bancorp and Citigroup as "pending" because theirs is not broken out is generous: the money moved out of equity whatever line it sits on, and Wells Fargo's own slide says it took 38 basis points off CET1 and left the ratio at the bottom of its 10–10.5% range, with the buyback now sized, in its words, considering "the impact on accumulated other comprehensive income".
2. **The loss sales are not an accounting footnote.** JPMorgan's \$658 million is its second consecutive quarter of selling bonds at a loss and two-thirds larger than the first; it cut its buyback from about \$7 billion a quarter to \$664 million in the same quarter; Wells Fargo, U.S. Bancorp, BNY and PNC all booked losses. Five of eleven banks selling at a loss in a quarter the 5-year rose 90 basis points is the first step of Part 1's \$8 chain, not the absence of it.
3. **The cost of money is already outrunning the funds rate.** The average funds rate rose 3.6 basis points in the quarter; the money centers' interest-bearing deposit costs rose 5 to 7, BNY's 10. The hike had fourteen days in the quarter; the deposits had the whole of it. Noninterest-bearing deposits lost share at Wells Fargo and State Street, deposits fell 2.5% at State Street and 2.2% at Schwab's bank, Schwab's Home Loan Bank borrowings quadrupled, and Schwab's "transactional sweep cash" rose only because it counts short credits on long/short strategies.
4. **None of the three tracked banks disclosed the nonbank book, because nobody asked.** Silence at JPMorgan, Wells Fargo and Morgan Stanley is scored as silence, but fifty-nine analyst questions, as the archive counts them, and not one on the fastest-growing loan category in the system is not evidence the book is fine; it is evidence the visibility gap Part 1's first steelman point rested on is intact after the quarter that was supposed to test it — and the one bank that did print a page on it, U.S. Bancorp, is outside the test and is trimming balances in it.
5. **The market read the week the other way.** Nine of twelve fell on their print days, eight underperformed the financials index, Citigroup lost 7.3% over two sessions, Bank of America 4.2%, State Street 3.7%; tangible book per share fell at six of the nine that print it. JPMorgan and Bank of America missed the archived consensus on every basis, Schwab and BlackRock on the reported figure, and returns on tangible equity fell quarter on quarter at nine of the ten that print a comparable one (Goldman's being its return on equity).
6. **The two ranges held on one-offs.** State Street's leverage ratio rose, in its own words, "primarily reflecting the preferred share issuance completed during the quarter"; Schwab's on an AOCI that did not move for reasons it has not yet explained and a buyback cut in half. A range held by issuing capital and buying back less is the mark reaching capital, which is what the tripwire was built to detect.

7. **The managements named the AI build-out as a credit risk themselves, and none sized it.** JPMorgan's chief financial officer would be "surprised if anyone frankly was immune" to a change in sentiment, says the exposure is "increasingly" in "working capital revolvers" and "kind of everywhere", and none of the twelve put a number on it; the one bank that said it has "very hard limits" did not say where they are.

Of these, this note tests (1) in §1 and §4, where the six banks that print or roll the securities mark are scored against it and the total-AOCI banks are shown with their components where any bank gives one; (2) in §1, §2, §4 and §6, where the loss sales are sized against the books and the buyback cut against the chairman's stated reason; (3) in §1, on both readings of the funds rate, with the betas the managements stated; (5) in §5, where the reactions and the return moves are put against the line; (6) in §1 and §4, where both ratios are bridged component by component; and (7) in §1, finding five, and §3, on the words. **It cannot test** (4) beyond the silence branch Part 1 froze — the banks' own documents are the only admissible source, and they are silent — nor whether the AOCI moves at the three total-only banks (and the two that print no line) are securities or hedges, which only the 10-Qs settle, nor whether a quarter's reaction is information or positioning, nor the size of the AI-financing exposure in (7), which no release prints and only a 10-Q or a fourth-quarter breakout could.

WHAT THE WEEK TAUGHT

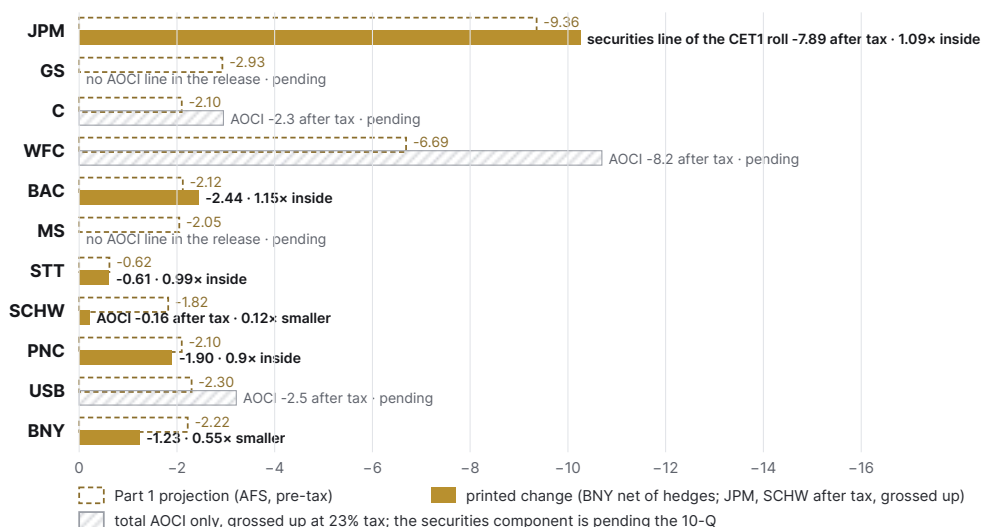
What the week taught about the industry

 **6** findings the twelve documents support together: the bond book, the cost of money, the earnings story, capital, the AI cycle, credit

One. The bond book was run off and hedged, not sold, and the mark reached capital by about the amount Part 1 computed. Part 1's question was whether the hike would turn the system's paper loss into a real one. The managements answered it with what they are doing with the books. Bank of America "funded that growth by reducing securities balances" — \$34 billion of loan growth — and runs its held-to-maturity book off at about \$9 billion a quarter; U.S. Bancorp's portfolio "has been coming down, and we have been doing more in cash"; BNY has "roughly about \$5 billion of securities rolling off per quarter" reinvested 150–200 basis points higher; PNC lengthened its duration to 4.1 years from 3.6 with \$5 billion of 2.65% paper rolling off in the fourth quarter; Schwab still has "\$190 billion roughly of securities that are yielding sub 2%" and is letting them roll into lending; State Street's available-for-sale duration is "around one year". The self-heal Part 1 sized at \$21 billion a quarter for the system is the earnings story each of them told: higher reinvestment yields on a shrinking book. Five banks sold at a loss and one in size — JPMorgan's \$658 million, which its release calls "discretionary" with no reason given — and no one disclosed a transfer into or a sale out of held-to-maturity, so the branch of Part 1's chain that runs from crystallization to liquidity did not open. Where the mark is printed and the book is unhedged, the quarter moved it 0.90 to 1.15 times Part 1's projection (Bank of America 1.15, JPMorgan's securities line 1.09, State Street 0.99, PNC 0.90); BNY's hedged book moved 0.55 times the unhedged projection, and Schwab's whole AOCI moved \$164 million against \$1.4 billion projected, the one number in the week Part 1 got wrong in size. Where the mark's reach into capital is printed it matched: about 36 basis points of CET1 at JPMorgan against 29 computed, 38 at Wells Fargo against 36, about 10 at Bank of America against 10. Three banks print only a total AOCI line — Wells Fargo's fell \$8.2 billion, 1.6 times the after-tax projection, U.S. Bancorp's and Citigroup's 1.4 times — and two print none, and the two that print both lines show why the totals are not scored: at Bank of America "a little less than half" of the fall was cash-flow hedges that never reach capital. The bank-by-bank scoring, the totals and the loss sales are in §4.

EXHIBIT 1 — PROJECTED AGAINST PRINTED: THE AFS MARK CHANGE BY COMPANY, \$BN PRE-TAX

Projected change in the AFS mark (Part 1) against the printed change, Q3 2026, \$bn pre-tax, by holding company

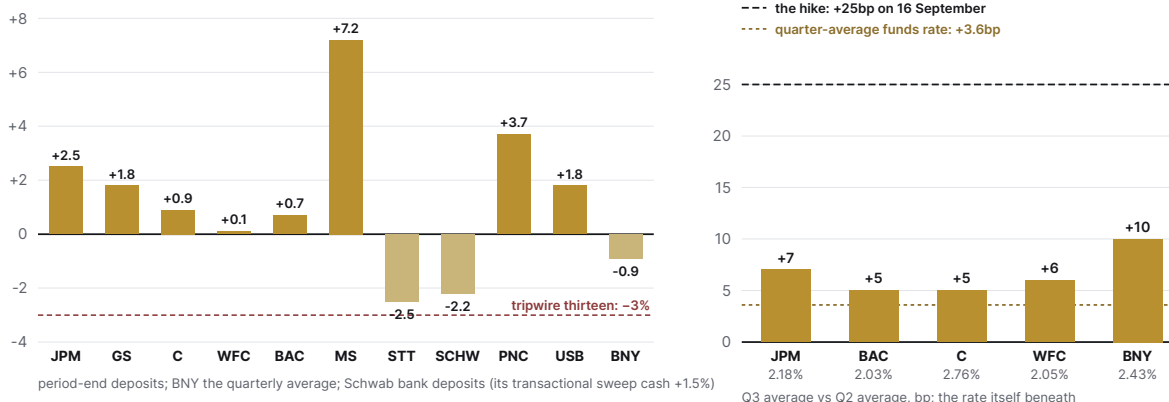


How to read it. One row per holding company with a bond book, in Part 1's order. The dashed outline is the change in the available-for-sale mark Part 1 projected for the quarter, in billions of dollars pre-tax along the bottom, drawn as a loss to the right. The solid gold bar beneath it is the change the company printed, with the ratio and its band label beside it; at BNY the printed figure is net of hedges, at JPMorgan it is the securities line of its capital roll and at Schwab its whole AOCI move, both after tax and grossed up for tax. A hatched bar is a company whose release gives only a total AOCI line, grossed up the same way, which contains cash-flow hedges, currency and pension items as well as securities and is drawn for scale, not scored. Compare each gold bar with the dashed outline above it; the one thing it shows is that where the mark is printed the projection was close at four, that the hedged book moved less, and that the largest moves in the week sit in the hatched bars.

Two. Deposits stayed, and the cost of money rose by less than the hike and more than the average funds rate. The average rate paid on interest-bearing deposits rose at every bank that prints it — JPMorgan 2.18% from 2.11%, Bank of America 2.03% from 1.98%, Citigroup 2.76% from 2.71%, Wells Fargo 2.05% from 1.99%, BNY 2.43% from 2.33% — and period-end deposits rose at eight of the eleven with bond books, 2.5% at JPMorgan, 7.2% at Morgan Stanley, 3.7% at PNC; they fell 2.5% at State Street and 2.2% at Schwab's bank, and BNY's quarterly average fell 0.9%. None reached the -3% that, with a loss sale, fires the thirteenth tripwire. The hike came on 16 September, fourteen days before the quarter closed, and added 25 basis points to the target; on the quarter's average the effective funds rate rose 3.6 basis points, from 3.631% to 3.667%. Against the hike, deposit costs rose a fifth to two-sevenths as much, two-fifths at BNY; against the average they rose more, which the managements that explained it put down to mix rather than to the policy rate — PNC to brokered certificates and commercial balances, U.S. Bancorp to about 2 basis points from the hike itself, with no reason given for the rest. Part 1 wrote "rising more than the funds rate did" and did not say which funds rate. The house reads it as the hike, because the observable was written about the hike's pass-through and a 25-basis-point step cannot show in a 3.6-basis-point average; on that reading it did not fire, on the other it fired, and both are scored in §6 so that the fourth quarter, the first full quarter at 3.75–4.00%, settles it with a reading rule that is no longer open. The cheapest money held its share at JPMorgan (24.0% of average deposits from 23.7%) and Bank of America (26.5% from 26.4%), slipped at Wells Fargo (24.3% of period-end deposits from 24.7%) and fell at State Street (13.4% from 14.5%); the uninsured shares, the second half of the funding test, are 10-Q and Call Report figures and are pending.

EXHIBIT 2 — DEPOSITS ON THE QUARTER, AND THE COST OF INTEREST-BEARING DEPOSITS AGAINST THE FUNDS RATE

Deposits, quarter on quarter, % (left) · change in the average rate on interest-bearing deposits, bp, against the funds rate (right)



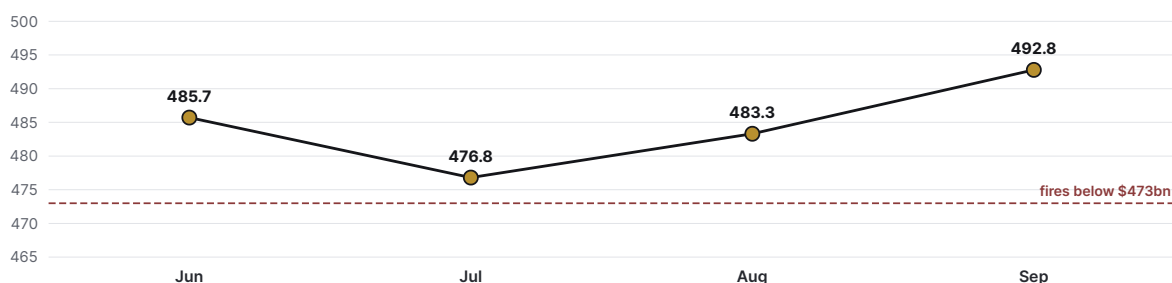
How to read it. Left: one bar per bank with a bond book, the change in deposits from 30 June to 30 September in percent, gold where deposits rose and pale where they fell, with the -3% line that tripwire thirteen watches drawn dashed in red; BNY is the quarterly average because its release gives no period-end figure, and Schwab is its bank deposits. Right: one bar per bank that prints an average rate on interest-bearing deposits, the change from the second-quarter average to the third in basis points, with the rate itself beneath, against two reference lines: the 25-basis-point hike of 16 September, dashed black, and the 3.6-basis-point rise in the quarter's average funds rate, dashed gold. Compare each right-hand bar with both lines; the one thing it shows is that deposit costs moved by more than the average funds rate and far less than the hike, and that deposits grew at eight of the eleven.

The betas, as stated. None of the money centers gave a figure. JPMorgan's chief financial officer said consumer deposit betas have run "lower-than-modeled" in what he called "a different cycle", so the firm is "a little bit more asset-sensitive than the EaR shows", and expected the low-beta consumer money to "behave roughly the way it has been behaving"; Citigroup's said betas are "performing in line with our expectations"; Wells Fargo expects this cycle's to match the last cycle's component for component — "not ... that different versus what we saw last go around" — and "slightly higher" in aggregate because of the commercial mix; Bank of America's chief financial officer, asked to unpack the betas behind a 2027 outlook that carries three more hikes, said "we came from 4.5% down to 3.75% – 3.5%. Now we're retracing steps, I would anticipate it will look the same going back up as it did coming down". The regionals gave numbers: PNC expects a cumulative beta "in the mid-50s", its 7-basis-point rise to 1.98% "primarily driven by mix"; U.S. Bancorp assumes "about a 50% or so" on the hikes ahead and puts "approximately 2 basis points of impact from the September Fed rate hike" in its 7. BNY cited "deposit margin compression" and gave no figure; State Street said it would be "very attentive to deposit betas and repricing"; Schwab's sensitivity table assumes a zero deposit beta and its chief financial officer said the September cash move "is not cash sorting in any way"; Goldman Sachs was not asked and did not say; Morgan Stanley gave no figure. Nothing in the week contradicts Part 1's reading that the betas the July calls leaned on are intact; nothing in it tests them either, because the hike had two weeks.

Schwab's cash. Transactional sweep cash ended September at \$492.8 billion, \$7.1 billion above June's \$485.7 billion and \$19.8 billion above the \$473 billion that fires the tripwire. The release attributes the rise to "continued demand for long/short strategies and organic growth, partially offset by client asset allocation decisions", and footnote 7 defines the measure to include "short credits related to certain client long/short strategies", which Schwab's deck puts at \$63.3 billion after a \$19.6 billion build in the quarter. On the balance sheet, bank deposits fell to \$244.1 billion from \$249.7 billion (-2.2%) and Federal Home Loan Bank borrowings rose to \$2.0 billion from \$0.5 billion; the chief financial officer told the call that "even with those higher rates, this is not cash sorting in any way". The tripwire, as frozen, is held and the deposit question stays closed this quarter; the steelman's reading, that the measure rose on short credits while the bank's deposits fell, is correct on the balance sheet. There was no stand-alone September activity release; the figures are the release's own monthly table, and the October report is the next read.

EXHIBIT 3 — SCHWAB'S TRANSACTIONAL SWEEP CASH, MONTH-END, AGAINST THE FROZEN FLOOR

Schwab transactional sweep cash at month-end, \$bn, June to September 2026, against the frozen floor



Bank deposits on Schwab's balance sheet \$244.1bn from \$249.7bn · Home Loan Bank borrowings \$2.0bn from \$0.5bn · the sweep measure includes short credits on long/shor

How to read it. Four points, June to September 2026, of Schwab's month-end transactional sweep cash in billions of dollars up the side, joined by a line, with the \$473 billion floor that fires the tripwire drawn dashed. Below, the balance-sheet lines the measure does not show: bank deposits and Home Loan Bank borrowings at the two quarter-ends. Compare the last point with the dashed line and with June; the one thing it shows is that the measure Part 1 froze rose clear of the floor while the bank's own deposits fell.

Three. The earnings story has moved onto more hikes, and the guides that moved, moved up. Part 1 recorded that no July outlook assumed more than one hike, late in the year. The October outlooks assume two or three — JPMorgan and Bank of America three, PNC two, U.S. Bancorp "a couple", Citigroup and Wells Fargo no stated count — and the guides that moved, moved up. JPMorgan lifted its full-year guide for net interest income excluding Markets to about \$97.2 billion from July's roughly \$96.5 billion and put a preliminary 2027 central case at about \$107 billion, with one hike in December and two in the first half of 2027 as the forward curve stood; Citigroup raised the same line to the "mid-to-high 6% range" of growth from the roughly 5–6% it set at the start of the year and calls higher-for-longer "net positive" on its non-dollar asset sensitivity; State Street raised its net interest income growth guide to 15–16% from July's 14–15% and calls the rate path "a tailwind"; U.S. Bancorp raised full-year revenue growth to 8–9% from 7–9% on a like-for-like basis, assuming "a couple of hikes". Bank of America, Wells Fargo and PNC held — PNC at 15.5%, the top of July's range, agreeing with a 2027 figure about \$1.0–1.1 billion above 2026; Bank of America expects 2027 "to be 8% or more higher than 2026" on three quarter-point hikes, called rates "a small component" of that, and said its Markets net interest income is liability-sensitive and may fall, as Wells Fargo's is. The exception ran the other way at Schwab, whose revenue and margin guide moved to the lower end of July's ranges and whose "doesn't impact the financials for 2026" was not repeated. PNC printed its baseline in the release's own cautionary statement — "the Federal Reserve to raise rates twice more, at the December 2026 and March 2027 FOMC meetings", to 4.25–4.50% — and now calls short rates "pretty neutral" for 2026. The direction is the one Part 1 flagged as the first sector tell: the hike that July's calls treated as one and late is now two or three and near, and the guides that moved, moved up.

	JULY GUIDE (AS PART 1 RECORDED IT)	OCTOBER GUIDE	HIKES ASSUMED NOW
JPMorgan	FY26 NII ex-Markets ~\$96.5bn	FY26 ex-Markets ~\$97.2bn; Q4 ~\$25.5bn ex-Markets, ~\$28bn total; 2027 central case ~\$107bn	three (Dec, two in 1H27)
Bank of America	FY26 NII ~+8%; a September hike "a positive"	FY26 ~+8% held; 2027 "8% or more higher than 2026"	three (Dec, Mar, Jun)
Citigroup	FY26 NII ex-Markets ~+5–6%	"mid-to-high 6% range"	none stated
Wells Fargo	FY26 NII ~\$50bn	\$50bn ±; Q4 ~\$13bn on a stable margin	none stated
Goldman Sachs	no NII guide	no NII guide; Q3 NII \$3.8bn	markets price ~75bp more
Morgan Stanley	no number	Wealth Management NII: "a modest increase in the fourth quarter"; 2027 loan-led	none stated
State Street	FY26 NII +14–15%	+15–16%; fees +13–14%	forward curve
Schwab	revenue and NIM ranges; a December hike "doesn't impact 2026"	"towards the lower end of the ranges"; Q4 NIM 25–30bp above 4Q25	none restated

JULY GUIDE (AS PART 1 RECORDED IT)		OCTOBER GUIDE	HIKES ASSUMED NOW
PNC	FY26 NII +15–15.5%; hike effect "very small in 26"	FY26 NII +15.5%, the top of the range; Q4 +4%; 2027 about +\$1.0–1.1bn over 2026; short rates "pretty neutral"	two (Dec, Mar)
U.S. Bancorp	hike "not consequential"	Q4 NII +6–7% y/y; FY revenue +8–9% from +7–9% like-for-like (+5–7% before BTIG)	"a couple"
BNY	not on file	FY26 NII +15%	forward curve

Four. Capital return slowed for three different stated reasons, and the firm that kept buying most says the final rule sets its pace from here. The quarter's rate move cost CET1 30 basis points at JPMorgan (to 13.9%: \$7.9 billion of securities losses, \$51 billion more risk-weighted assets and distributions), 37 at Bank of America (to 10.9%, 90 basis points over its minimum, with a step-up to 10.50% due on 1 January), 30 at Wells Fargo (to 10.0%, the bottom of its 10–10.5% range, 38 of it the AOCI decrease) and 50 at Goldman Sachs (to 12.4%, on \$26 billion more risk-weighted assets, 100 basis points over its requirement); it left Citigroup and Morgan Stanley flat, and lifted State Street 20 on lower risk-weighted assets. The responses were not of a kind. JPMorgan cut its buyback to \$664 million net from a cadence an analyst put at \$7 billion, its chairman giving the reason as redeploying "probably \$30 billion or something of excess capital" at better returns than buying the stock at "a 6% or whatever the earnings yield would be", and saying the cut had "nothing to do with AOCI or guessing about the environment or even Basel III"; U.S. Bancorp paused repurchases after \$12 billion of risk-weighted-asset growth and a 40-basis-point AOCI hit to its AOCI-inclusive ratio, and expects to resume "over the next quarter or two"; Schwab halved its buyback to \$0.5 billion and "allowed capital to build"; Wells Fargo will size repurchases quarter by quarter and "continue to consider the interest rate environment and the impact on accumulated other comprehensive income when determining how much stock we repurchase"; State Street issued \$496 million of preferred, held its buyback at \$400 million and guided it up to about \$700 million; Bank of America returned \$8.3 billion and called the pace "business as usual ... with one exception. We need to wait for the final rules"; Goldman returned \$4.49 billion and said it is hopeful the endgame and surcharge proposals are finalized by year-end; Morgan Stanley bought back \$1.5 billion on a 300-basis-point buffer and looks to "upcoming transparency as our regulators finalize the bank capital regulatory framework"; PNC held at \$0.6 billion with the fourth quarter guided the same; BlackRock at \$550 million. Three managements dated the final rules to the fourth quarter or year-end (Goldman Sachs, Bank of America, U.S. Bancorp), three more referred to their finalization without a date (Wells Fargo, Morgan Stanley, PNC), and at JPMorgan and Citigroup the date came from the analysts' questions; Wells Fargo put the relief at about 7% of risk-weighted assets, U.S. Bancorp at about 5%, and U.S. Bancorp said it is "fully ready to transition into" Category II regardless and is "not counting on any benefit". The finding has two halves that the documents keep apart. The three that cut or paused gave reasons of their own: JPMorgan redeployment, U.S. Bancorp risk-weighted-asset growth and the mark, with regulation named among the drivers of its restart, Schwab a capital build against volatile rates. Of the firms that kept buying, Bank of America said the final rules set its pace from here, Wells Fargo named rates and AOCI, Goldman gave a hope of year-end finalization and no pace, and Morgan Stanley no pace at all. The two ranges Part 1 watched are the sharpest case; §4 bridges both. What separates the two readings is whether the buybacks resume when the rule lands with the marks unchanged, which the reversal block in §6 sets as the test.

Five. The worry has moved to the assets the banks finance: six managements named a risk in the AI build-out, none sized it, and the deposit side of it was dismissed, discounted or conceded as not-yet at every call that asked. The AI cycle reached the calls from two directions, and the managements answered them differently. As the thing the banks finance, it came up on nine of the twelve calls — at eight because an analyst asked, Goldman Sachs taking three questions and PNC two, and at Wells Fargo from both sides, an analyst asking and the chief executive raising it himself: "The scale of investment here increasingly resembles prior infrastructure booms, creating both significant opportunities but also risks given the significant leverage used to finance the buildout". Six managements named a risk in it. JPMorgan's chief financial officer, asked about concentration risk, said the theme "is so broadly diffused into the marketplace, it's not just traditional construction lending. Now, increasingly, it's working capital revolvers", that the bank runs stresses against "a meaningful change in the overall theme across the entire enterprise", and that "our exposures are still quite modest in the context of our overall wholesale exposure, but that's not the same as saying that we would be immune to a major change in sentiment in the AI space. I think I would be surprised if anyone frankly was immune to that at this point." Goldman's chief executive, asked whether financing is the choke point: "I don't know and nobody knows", then "there is risk. There is risk to pressure on, you know, crowding out the size, the scale. Not every project's going to be received as well", and higher rates "will have an impact on the pace of build-out and what projects get done". Morgan Stanley's: "I

have no doubt there will be times when it'll feel like it's going too fast, and there is a sense of overbuilding in some respects", and on lending into it, "I imagine there are going to be cases where we are going to make mistakes." Wells Fargo's chief financial officer lists "AI related disruption" among the credit risks it monitors and keeps "very hard limits in terms of what we're willing to do" on the financing. Bank of America's and PNC's chief executives drew the same ripple: if the growth that is "due to AI activity" were "to slow down", it "could have ripple effects through construction, staffing" (Bank of America); and at PNC, "not large in the data center finance space", asked how much of its loan growth is AI-related — "Maybe the negative of it, Mike, is the more worrisome thing, right? So if the CapEx broadly slows down related to AI, do we think even though we don't lend directly to that, that it would slow our loan growth? Yes" — a knock-on effect, its chief financial officer agreed. Citigroup dissented — "I don't think that higher rates is going to trump the imperative to invest there ... we're not anticipating a lot of shift in behavior", citing an investment-grade-heavy client base and saying it keeps "an eye on sentiment" — while taking lead roles on the SK hynix, Intel and SoftBank financings; U.S. Bancorp is looking for clues to how much of its loan growth and credit is AI-related and finds the growth broader than the adjacent sectors; BlackRock is raising the money and says the market still lacks the data and ratings to trade the asset. In writing, the cycle appears as a macro risk in one release, PNC's: "a reversal in AI-related sentiment, which would have knock-on effects on both capex and wealth-driven consumer spending". The AI language in the four other cautionary sections that carry it — Wells Fargo, Bank of America, BlackRock, State Street — concerns the firm's own adoption, management and cyber exposure, not the cycle, and Wells Fargo's release counts "the investment in AI infrastructure" among the "strong positive forces" in the economy. The second direction is the deposit base. Whether AI agents will move money out of banks was asked at six calls — JPMorgan, Citigroup, Bank of America, Wells Fargo, U.S. Bancorp and PNC — and dismissed at four, discounted with a caution at JPMorgan, and conceded as a not-yet at PNC: "completely overdone, especially for the time period we can see" (Wells Fargo), "I am not worried about deposit flight risk in Services" (Citigroup), "we're not worried about it ... We believe strongly the human in the loop" (Bank of America), "we haven't seen any AI cash sorting" (U.S. Bancorp), and at JPMorgan "a little bit less persuaded that you really have cliff effects there", with the caution that a bank is "probably not supposed to be hoping that your deposits are stable because the money is difficult to move"; PNC's chief executive: "there's no question that deposit movement is going to become more efficient ... you're going to see more competition in deposits", though "not showing up in the moment", and the agentic applications that try to "transact on your behalf inside of your accounts" are "incredibly unsafe". Two firms are keeping outside agents out for now: JPMorgan is "not going to allow just any outside agents to come in inside the company", and Schwab is "blocking unauthorized agents who try to log in on behalf of clients". What the two directions share is where the managements put the risk: in the assets they finance, not yet in the deposits they hold. The theme JPMorgan describes as reaching "working capital revolvers" and "kind of everywhere" is an exposure none of the twelve sized on the day; the 10-Qs are the next document that could.

Six. Credit is benign on the measures that lag and ticked on the ones that lead, and the nonbank book went unspoken where it is largest. Citigroup's branded-card and retail-services net credit losses were \$1.7 billion in the quarter with a \$208 million reserve build it attributed to the macroeconomic outlook; it cut its full-year U.S. card loss expectation to about 4%, the low end of its prior range, and says 86% of balances carry FICO scores of 660 or better. JPMorgan held its full-year card charge-off expectation at about 3.2%. Wells Fargo described card charge-offs as down on the quarter and the year within a 70-basis-point consumer loss rate, with early-stage delinquencies at historic lows. Capital One, the card peer Part 1 used as the reference, reports after this note and is in the pending ledger.

The fifth tripwire tracks JPMorgan, Wells Fargo and Morgan Stanley and fires on any markdown or reserve build against lending to nondepository financial institutions; a first-time breakout of balances scores "disclosed"; silence scores as silence, on the banks' own documents only. At JPMorgan and Wells Fargo the releases, supplements and presentations contain no occurrence of "nondepository", "NDFI", "nonbank financial" or "private credit"; the calls — twenty-three questions from twelve analysts at JPMorgan, nineteen from ten at Wells Fargo — contain no prepared remark and no question on it. At Morgan Stanley the release and supplement carry no such line — the supplement's one "non-bank" footnote is \$2 billion of securities-based lending to non-bank entities in Wealth Management, collateral lending rather than credit to nondepository lenders — and the call's three independent transcriptions contain no mention of lending to the category. All three are scored silent, the branch Part 1 froze. Outside the set, Bank of America's release is the only one of the twelve whose cautionary statement names the category — "a deterioration in private credit markets", the standing line Part 1 recorded as forward-looking language — while the three tracked names' cautionary sections cross-refer to their 10-Ks or list rate, deposit and securities risks without it; State Street told a loan-growth question it sees "healthy opportunities in supporting our clients in the subscription finance space and in AAA CLOs and ... also even in

fund finance", Bank of America's chief executive mentioned only "lending to warehouse mortgage lenders that go up and come down", and the one bank that treated the category as a credit matter was U.S. Bancorp: its deck carries a page titled "NDFI Portfolio — Well Diversified, Strong Credit Quality", \$50 billion of loans to nondepository financial institutions against \$109 billion of core commercial and industrial loans, with an internal rating equivalent of A on average and a criticized share under 1%; and its chief financial officer said commercial balances were flat because of "some runoff in some balances related to more in that NDFI space" where "new deals coming to market didn't hurdle" its return threshold — a lender turning the dial down, not a markdown; Goldman Sachs mentioned private credit once, as a fundraising tailwind for its own alternatives platform "despite the noise in the media", and attributed its \$368 million provision to loan growth and "a couple" of idiosyncratic corporate impairments. The steelman is right that the visibility gap is intact; the tripwire is also right that nothing in the banks' own documents opened it, and the two statements are the same fact.

The industry reading is the mirror of Part 1's: the loan category that grew fastest in the system is the one its largest lenders did not describe, and where a lender did describe it, it reported runoff where new deals did not meet its return threshold. The lagging measures are benign: charge-offs ran 28 basis points at PNC (including \$35 million on a student-loan transfer), 44 at Bank of America, 51 at U.S. Bancorp, and every card lender's losses fell or held. The leading ones ticked: PNC's nonperforming loans rose \$167 million, 8%, on the quarter, "driven by higher commercial nonperforming loans"; Citigroup's firm-wide reserve build was \$369 million, "driven by changes in the macroeconomic outlook and portfolio growth", of which the card piece was \$208 million; Goldman's provision was \$368 million against \$102 million in the second quarter and "primarily reflected impairments related to wholesale loans"; Bank of America's provision fell. None of it is a credit event; all of it is the direction the steelman's case needs, and the fourth-quarter prints read it next.



COMPANY BY COMPANY

Company by company: what each taught about itself



12 companies, one lesson each about itself, on its own release, supplement and call

JPMorgan Chase would rather redeploy its excess capital than buy its stock at this price, and took the week's one securities loss of size. The buyback was cut to \$664 million net while the chairman named about \$30 billion of excess capital and a redeployment plan ahead of repurchases at a 6% earnings yield, and the \$658 million of securities losses are described as "discretionary", with no reason given. Earnings were \$5.57 a share, \$5.75 before the losses, against the \$5.91 Part 1 archived — a miss on both bases — with a 20% return on tangible equity; CET1 13.9%, down 30 basis points on \$7.9 billion of securities losses in the capital roll, \$51 billion more standardized risk-weighted assets and distributions. The 2027 central case of about \$107 billion of net interest income excluding Markets assumes three hikes; consumer deposit betas are running "lower-than-modeled"; card losses are held at about 3.2%; nothing on lending to nonbanks in twenty-three questions. Tripwires three and eight fired here and nowhere else in size. The stock fell 0.9% on the day.

Goldman Sachs is growing its balance sheet into its capital buffer while it buys back stock, and its growth story is the alternatives platform. Standardized CET1 fell 50 basis points to 12.4% on \$26 billion more risk-weighted assets, leaving 100 basis points over its requirement, the top of its 50–100 target buffer, with \$3.00 billion of buybacks and a dividend raised to \$5 a share; the platform's fundraising target doubled to \$150 billion and private credit was mentioned once, as a fundraising tailwind "despite the noise in the media". \$17.01 against \$13.79, an 18.7% return on equity. Goldman does not guide net interest income and attached no rate path; it said markets price about 75 basis points of further tightening. The stock fell 0.2% on the day; twenty-four analyst questions, none on the securities book.

Citigroup returned capital through the mark, and the market punished it hardest for a beat. The chief financial officer twice described the quarter's loss in other comprehensive income as something to "absorb" while returning \$4.1 billion (\$3 billion of buybacks, \$13.3 billion year to date against a \$30 billion programme, the dividend up 12%), with CET1 flat at 12.8% and total AOCI down \$2.3 billion. \$2.85 against \$2.63, a return on tangible equity of 11.5% from 13.0%, and the quarter's clearest raised guide: net interest income excluding Markets now growing in the "mid-to-high 6% range" against the roughly 5–6% set at the start of the year, with higher-for-longer "net positive" on non-dollar asset sensitivity. Card losses were cut to about 4% for the year, the low end of the range, with a \$208 million macro reserve build; four analysts

raised AOCI or the capital rules, none the nonbank book. The stock fell 5.6% on the day and 7.3% over two sessions, the week's largest reaction to a beat.

Wells Fargo is at the bottom of its own capital range, and the mark is now weighed in sizing its buyback. CET1 fell to 10.0%, the bottom of its stated 10–10.5% range, 38 basis points of it the AOCI decrease by the company's own attribution as total AOCI fell \$8.2 billion, and repurchases — \$2.5 billion in the quarter — will now be sized with "the impact on accumulated other comprehensive income" in view. \$1.87 against \$1.85, a 16.3% return on tangible equity, net interest income held at \$50 billion plus or minus. Betas are expected to match last cycle's component for component, "slightly higher" in aggregate on commercial mix; the dividend rose to \$0.50 from \$0.45; deposits were flat and the noninterest-bearing share slipped to 24.3% from 24.7%; tangible book per share fell 3.6%, the most of the twelve; \$29 million of debt-securities losses; nothing on nonbank lending in nineteen questions; the Basel endgame is "tailwinds", about 7% of risk-weighted assets. The stock fell 3.1% on the day.

Bank of America split what the rate move did to its capital into the part that reached CET1 and the part that did not, and said the final rules set its pace from here. Of the \$3.24 billion fall in AOCI, "a \$1.8 billion portion of AOCI of AFS securities" reached CET1 and "a little less than half" was cash-flow hedges that did not; the available-for-sale mark moved 1.15 times Part 1's projection; CET1 fell 37 basis points to 10.9%, 90 over a minimum that steps up to 10.50% on 1 January; \$6 billion was repurchased and the pace is "business as usual ... with one exception. We need to wait for the final rules." \$0.91 reported and \$1.08 excluding a \$1.2 billion regulatory settlement charge, against \$1.12 — a miss on both bases and the week's second-largest fall, 4.8%. Net interest income rose 8% to \$16.6 billion with the yield at 2.16%, the 2027 guide is 8% or more on three hikes, the total deposit rate rose 3 basis points to 1.49%, and betas will "look the same going back up as it did coming down". Card losses 3.22% and falling; the only nonbank reference was warehouse lines to mortgage lenders.

Morgan Stanley is choosing to be more of a bank. Wealth Management deposits rose by nearly \$30 billion in the quarter to \$465 billion as "a strategic choice" to grow the bank (firm-wide, \$478 billion, up 7%), the segment's net interest income fell modestly as the mix shifted, and the funding benefit is promised for next year. \$3.03 against \$2.95 and a 22.6% return on tangible equity from 26.6%; CET1 held at 14.9% with a 300-basis-point buffer the chief executive described as the firm's flexibility, and \$1.5 billion was repurchased. Nothing on the securities book, AOCI or lending to nonbanks in seventeen questions; the capital framework was raised only by management, looking to its finalization. The stock fell 2.7% on the day.

BlackRock gave the week's fullest account of private-markets money, and it expects long rates to stay high. \$68 billion raised in private markets over twelve months, \$25 billion of private credit in HPS's first year, \$15 billion of private-markets inflows in the quarter, \$31 billion into cash management, and a management that expects "slightly higher rates, especially in the longer end" with the 10-year above 5% and real rates near 3%. \$15.93 as adjusted (\$10.57 reported) against \$14.15, and the week's one two-session gain of size, 5.1%. Buybacks \$550 million, with at least \$550 million planned for the fourth quarter.

State Street holds its leverage range by issuing, not by slowing the buyback. Tier 1 leverage rose to 5.5% from 5.3% "primarily reflecting the preferred share issuance completed during the quarter" (\$496 million) with the buyback unchanged at \$400 million and guided to about \$700 million toward an 80% payout. \$3.69 against \$3.66, a 25.1% return on tangible equity ex-notables, net interest income up 21% on the year with the margin at 112 basis points, and the guide raised to 15–16% growth from 14–15%; the available-for-sale mark moved 0.99 times Part 1's projection on a book whose duration is "around one year", and CET1 rose to 11.0% on lower risk-weighted assets. Period-end deposits fell 2.5%, the noninterest-bearing share to 13.4% from 14.5%; it sees "healthy opportunities" in subscription finance, AAA CLOs and fund finance. The stock fell 4.1% on the day.

Charles Schwab's capital did not feel the hike; its revenue and margin guide moved to the lower end of its ranges for a funding reason, loan growth outpacing deposit growth. AOCI moved \$164 million against the \$1.4 billion Part 1 projected — the week's one number Part 1 got wrong in size — so the adjusted Tier 1 leverage ratio printed 7.0%, the top of the 6.75–7.00% objective, as the company "allowed capital to build" with the buyback halved to \$0.5 billion; revenue and margin were guided to the lower end of the summer ranges, and \$190 billion of securities still yield under 2%. \$1.69 as adjusted (\$1.62 reported) against \$1.66, a 3.04% net interest margin. Transactional sweep cash ended September at \$492.8 billion, up \$7.1 billion on the quarter with \$19.6 billion of the build in short credits on long/short strategies, while bank deposits fell 2.2% and Home Loan Bank borrowings rose to \$2.0 billion from \$0.5 billion; "this is not cash sorting in

any way". Eleven questions, none on the marks or the capital proposal. The stock fell 2.7% on the day and last traded 2.3% lower on the 16th.

PNC printed its own rate baseline, and its cost of money rose, it says, on mix. Its cautionary statement assumes two more hikes, December and March, to 4.25–4.50%, with "a reversal in AI-related sentiment" and "any further sharp rise in bond yields" as its named risks; its cost of money rose 7 basis points to 1.98%, "primarily driven by mix", \$7 billion of brokered certificates among them, with a cumulative beta expected "in the mid-50s". \$4.97 reported and \$5.09 as adjusted against \$4.91, an 18.3% return on tangible equity, net interest income guided up 15.5% for the year, the top of July's range, and about \$1.0–1.1 billion higher again in 2027 on a figure its chief financial officer "would agree with". The available-for-sale mark moved 0.90 times the projection, the securities leg outran the \$83 billion swap book, duration lengthened to 4.1 years, tangible book fell 3% "entirely driven by the decline in AOCI", and CET1 printed 9.8% against a 10% target, 8.8% including AOCI — a measure its chief financial officer called "stale" because the coming rules include it. Buybacks \$0.6 billion, the fourth quarter the same; \$1.4 billion of student loans moved to held for sale; nonperforming loans up \$167 million on commercial credits. The stock fell 0.4% on the day.

U.S. Bancorp gave numbers the others did not: the hike's share of its deposit cost, and its nonbank book. Deposit costs rose 7 basis points with "approximately 2 basis points of impact from the September Fed rate hike" and a beta of "about a 50% or so" assumed ahead; buybacks were paused as \$12 billion of risk-weighted-asset growth (heavy loan demand and a co-brand card onboarding) and a 40-basis-point AOCI hit took the AOCI-inclusive CET1 ratio to 9.1% from 9.4%, to resume "over the next quarter or two"; and the nonbank book was both printed — a deck page of \$50 billion of NDFI loans against \$109 billion of core commercial and industrial, rated A on average with a criticized share under 1% — and allowed to run off in part, because "new deals coming to market didn't hurdle". \$1.34 against \$1.32, an 18.5% return on tangible equity, record revenue. It is "fully ready to transition into" Category II regardless of the rule's timing, expects about 5% relief on risk-weighted assets, and is shifting from securities into cash. The stock rose 2.0% on the day.

BNY has a book it calls immunized to rates and a deposit rate that rose the most of the twelve. "Most of our peers and ourselves took a bit of a mark-to-market in the AOCI book", and its answer is about \$5 billion of securities rolling off each quarter reinvested 150–200 basis points higher, a book "largely immunized" to a hundred basis points either way, and the hedged available-for-sale mark moving 0.55 times Part 1's unhedged projection; the rate on interest-bearing deposits rose 10 basis points to 2.43%, under "deposit margin compression". \$2.34 reported and \$2.37 as adjusted against \$2.27, a 29.0% return on tangible equity from 31.3%, net interest income up 15% on the year and guided to the same for 2026, and the week's largest gain on the day, 3.2%. Tier 1 leverage fell 24 basis points to 5.7%, the upper end of its 5.5–6% range; \$937 million was repurchased at an 85% payout; average deposits fell 1% on seasonality.

 RISKS NAMED

The risks the managements name

 **1 of 12** releases whose cautionary statement names private credit (Bank of America's); none names the capital proposal or the AOCI election

The written sections. The cautionary section of each of the twelve releases was read in full. Four — JPMorgan, Morgan Stanley, Schwab and BNY — cross-refer to the 10-K and name no risk of their own. What the other eight name, in order of how many name it:

RISK NAMED IN WRITING	HOW MANY	WHO, AND THE WORDS
Geopolitics	all eight	the Middle East by name at Goldman Sachs, Citigroup, Bank of America, State Street and U.S. Bancorp
Tariffs and trade	six	Goldman Sachs, Wells Fargo, Bank of America, PNC, U.S. Bancorp, BlackRock
Capital and liquidity requirements, in general terms	five	Wells Fargo, Bank of America, PNC, U.S. Bancorp, State Street; none names the March proposal or the AOCI election
Artificial intelligence as a risk to the firm's own operations and technology	four	Wells Fargo, Bank of America, BlackRock, State Street

RISK NAMED IN WRITING	HOW MANY	WHO, AND THE WORDS
The AI cycle as the economy's live variable	one	PNC: growth above 2% "supported by very strong AI-related capex and resilient consumer spending"; the named risks "a reversal in AI-related sentiment, which would have knock-on effects on both capex and wealth-driven consumer spending, as well as any further sharp rise in bond yields"
The securities book and its reach into capital	two	State Street: rate moves "have led, and ... could further lead, to decreases in our NII or to portfolio management decisions resulting in reductions in our capital or liquidity ratios"; Wells Fargo: "recognition of impairment of securities held in our debt securities ... portfolios"
Deposit composition and funding	two	Wells Fargo: "the effect of changes in the level of checking or savings account deposits on our funding costs"; Bank of America: "an inability to access capital markets or maintain deposits or borrowing costs"
Private credit and banking-industry stress	one	Bank of America: "the impact of adverse developments affecting the U.S. or global banking industry, including a deterioration in private credit markets, bank failures and liquidity concerns" — the only one of the twelve to name private credit; it also names sovereign debt stress in non-U.S. jurisdictions
Failure of other financial institutions	one	BlackRock: "the impact of problems, instability or failure of other financial institutions"

Against Part 1's ranking. Part 1 ranked the twelve managements' own risks from their July calls, 2026 letters and FY2025 10-Ks as geopolitics, the AI cycle both ways, asset prices, private credit, and deposit repricing, in that order. The October documents keep the first two where they were: Morgan Stanley's chief executive opened on "the headwinds of renewed tensions in the Middle East and higher interest rates globally", Goldman's cautionary note names "the continuation or worsening of the conflict in the Middle East", and the AI cycle is the economy's engine at PNC and BlackRock, a risk named by six managements on the calls (finding five) and a written macro risk at one. Asset prices moved from letters to a rate: BlackRock's "10-year Treasury yields more than 5%, real rates are close to 3%", PNC's "sharp rise in bond yields", Goldman's chief executive on a 5% 10-year that "doesn't scare" him. Private credit stayed where Part 1 put it — in Bank of America's standing cautionary language, in Goldman's and BlackRock's fundraising, in U.S. Bancorp's one dedicated page, and nowhere in the three money-center calls. Deposit repricing, Part 1's fifth, was named in two cautionary statements — Wells Fargo's, on "the effect of changes in the level of checking or savings account deposits on our funding costs", and Bank of America's, on "an inability to access capital markets or maintain deposits or borrowing costs" — and by no management on a call as a risk; it was answered, bank by bank, with last cycle's beta. What rose was not on Part 1's list because it is not a risk the managements name but one they are waiting out: the capital rule. Six of the twelve calls raised its finalization, three dating it to year-end, and the one exchange that touched Part 1's own question — the phase-in of AOCI into the Category III banks' capital — produced a "stale measure" at PNC and a Category II transition at U.S. Bancorp, both of which say the same thing: the mark will count, and both say they have planned for it.

THE SCORECARD

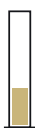
The scorecard: the receipt

 2 · 3 · 1 · 2 · 2 · 3 fired · held · disclosed · none · partly scored · pending, of thirteen tripwires frozen in Part 1

Thirteen tests, each with the document it was read from. "Held" means the condition was tested and not met; "disclosed" means a management stated the thing the test asked about; "none" means the documents were silent and the silence branch Part 1 wrote applies; "pending" means the document that scores it is not yet filed.

EXHIBIT 4 — THE THIRTEEN, AS A BOARD

The thirteen, scored on the banks' own documents



1. The marks

4 inside · 2 smaller · 0 larger · 5 pending



2. The reach

held at JPM (36bp vs 29bp), WFC (38bp vs 36bp) and BAC (about 10bp vs 10bp) · 5 pending



3. Crystallization

FIRED — net securities losses at five (JPM \$658m, USB \$65m, WFC \$29m, BNY \$25m, PNC \$1m); no HTM transfer or sale disclosed



4. The election

DISCLOSED at PNC and USB on the calls, none at Schwab — PNC: the coming Basel III rules "will increase us, including AOCI", loaded CET1 "low 9s" (8.8% in its deck);



5. Nonbank lending

written documents: silent at all three; calls: JPM silent, WFC silent, MS silent



6. The system

pending — FDIC Q3 QBP (late November)



7. The two ranges

HELD — Schwab 7.0% (objective 6.75–7.00%), State Street 5.5% (assumption 5.25–5.75%)



8. JPMorgan's line

FIRED on the release-day leg — Corporate investment securities gains/(losses) –\$658m (Q2 –\$395m); the second leg, the 10-Q repositioning sentence, is read in



9. Citigroup's gauge

pending — Q3 10-Q (early November)



10. The December rule

not due — catalyst 31 December 2026



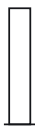
11. Schwab's sweep

HELD — transactional sweep cash \$492.8bn at end-September (June \$485.7bn, August \$483.3bn; fires below \$473bn)



12. PNC's swaps

not fired — securities –\$1.9bn pre-tax (≈–\$1,463m after tax) against –\$889m from swaps and the rest; AOCI –\$2,352m



13. The tail

release-day leg: none (no deposit fall of 3% with a loss sale; the largest fall was State Street –2.5% period-end, without a sale); Call Report leg pending (late November)

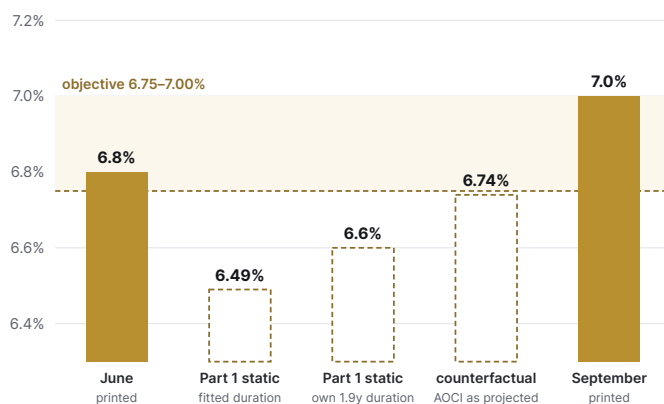
How to read it. Thirteen tiles in Part 1's order, each with a gauge post at the left and the test's status beside it. A post filled gold to the top is a tripwire that fired; filled halfway in pale gold, one that was tested and held; a third full, one scored in part; empty, one whose document was silent and was scored as silence; hatched, one whose scoring document is not yet filed. Read the board left to right and top to bottom as Part 1 numbered the tests; the one thing it shows is where the two full posts sit and where the hatched ones cluster.

#	TRIPWIRE	FROZEN CONDITION	OUTCOME	READ FROM
1	The marks	securities AOCI change vs the AFS projection, inside 0.6–1.4×	4 inside · 2 smaller · 5 pending — JPM 1.09× (securities line of its capital roll), BAC 1.15×, PNC 0.90×, STT 0.99× inside; BNY 0.55× (net of hedges), SCHW 0.12× (total AOCI) smaller; C, WFC, USB print only a total AOCI line, GS and MS none	supplements; 10-Qs
2	The reach	AOCI line of the CET1 roll vs Part 1 §8's basis points, 0.5–1.5×, right sign	held at JPM, WFC and BAC — JPM \$7.9bn of securities AOCI in its CET1 roll, about 36bp vs 29bp; WFC 38bp vs 36bp (its deck); BAC "\$1.8 billion portion of AOCI of AFS securities that impacted CET1", about 10bp vs 10bp (its call) · 5 pending	JPM supplement p.9; WFC deck p.11; BAC call; 10-Qs
3	Crystallization	any securities sale at a loss, repositioning, HTM transfer or sale	FIRED — net securities losses at JPM (\$658m), USB (\$65m), WFC (\$29m), BNY (\$25m), PNC (\$1m); no HTM transfer or sale disclosed	income statements
4	The election	SCHW, PNC or USB states its AOCI treatment under the proposal, or changes its election	DISCLOSED at PNC and USB, none at Schwab — the releases carry only standing disclosures (PNC's Category III election and an 8.8% CET1 including AOCI; USB's 9.1%; Schwab's adjusted leverage); on the calls PNC said the coming rules "will increase us, including AOCI" and loaded it is "low 9s", U.S. Bancorp that it is "fully ready to transition into" Category II; neither changed its election; Schwab's eleven questions never reached it	releases, decks, calls

#	TRIPWIRE	FROZEN CONDITION	OUTCOME	READ FROM
5	Nonbank lending	JPM, WFC or MS discloses NDFI balances, reserves or markdowns, or fields a question	NONE — silence at all three — no balance, reserve, markdown or question in the releases, supplements, presentations or calls of JPMorgan (23 questions), Wells Fargo (19) or Morgan Stanley (three independent transcriptions, no mention of lending to the category; its supplement's one "non-bank" line is securities-based lending)	documents and calls
6	The system	FDIC Q3 total vs \$497–517bn	pending — late November	FDIC QBP
7	The two ranges	SCHW adjusted Tier 1 leverage < 6.75% or STT Tier 1 leverage < 5.25% fires	HELD — Schwab 7.0%, State Street 5.5%; by earnings and a halved buyback at Schwab with AOCI flat, by earnings and \$496m of new preferred at State Street	SCHW release p.1, 12; STT release p.1
8	JPMorgan's line	Corporate investment securities gains/(losses) negative again	FIRE , release-day leg — -\$658m (Q2 -\$395m); the second leg, the 10-Q repositioning sentence, is read in November	JPM supplement
9	Citigroup's gauge	AOCI at risk per 100bp outside \$2.5–3.6bn	pending — 10-Q	C 10-Q
10	The December rule	finalized at the proposed schedule from 1 Jan 2027	not due — 31 December	agencies
11	Schwab's sweep	September transactional sweep cash below \$473bn	HELD — \$492.8bn, +\$7.1bn on June, +\$9.5bn on August	SCHW release p.1, 9
12	PNC's swaps	swap-driven AOCI change larger than the securities'	not fired — securities -\$1.9bn pre-tax (≈-\$1.46bn after tax) against ≈-\$0.89bn from swaps and the rest, of a -\$2.35bn AOCI move	PNC release pp.4, 9, 15
13	The tail	deposits -3% with a loss sale (release day); FHLB +50% and +\$5bn with deposits -3% (Call Reports)	none on release day — largest fall State Street -2.5%, no sale; pending the Call Reports	releases; FDIC BankFind

EXHIBIT 5 — SCHWAB'S RATIO: JUNE, PART 1'S STATIC PROJECTIONS, THE COUNTERFACTUAL AND THE PRINT; STATE STREET BESIDE IT

Schwab's adjusted Tier 1 leverage ratio: June to September, and where the Part 1 projection would have put it



Adjusted Tier 1 capital, June → September, \$m

June	32,526
earnings to common	+2,811
buyback	-500
dividends, preferred, other (residual)	-280
AOCI	-164
September	34,393

AOCI projected by Part 1: -1,401 after tax

State Street, Tier 1 leverage

June	5.3%
Part 1 static	5.18%
September	5.5%
new preferred	\$496m
buyback Q3 / Q2	\$400m / \$400m
AOCI change	\$-471m

How to read it. Left: five bars of Schwab's adjusted Tier 1 leverage ratio in percent, against the shaded 6.75–7.00% objective. The two gold bars are printed figures, June and September; the three dashed outlines are Part 1's static projection on the fitted duration, the same on Schwab's stated duration, and the ratio September would have printed had AOCI moved as projected with everything else as reported. Right: the bridge of adjusted Tier 1 capital from June to September in millions of dollars from the release's reconciliation, with Part 1's projected AOCI line beneath for comparison, and State Street's Tier 1 leverage ratio, new preferred, buybacks and AOCI change. Compare the last gold bar with the dashed one beside it; the one thing it shows is that the whole distance between a breach and the top of the range is the AOCI line.

The two ranges, bridged. Schwab. Part 1's arithmetic was this: 6.8% at June with \$162 million of headroom; the quarter's available-for-sale move worth \$1.4 billion after tax on the fitted duration and \$0.9–1.1 billion on Schwab's own stated 1.9–2.3 years, taking the ratio to 6.49–6.6% static before a quarter's earnings worth 50–60 basis points. The print is 7.0%, the top of the objective. The bridge is in the release's own reconciliation. Adjusted Tier 1 capital rose \$1,867 million, from

\$32,526 million to \$34,393 million: earnings to common of \$2,811 million, less a buyback cut to \$0.5 billion from \$1.0 billion in the second quarter, less dividends and preferred costs, and an AOCI change of \$164 million. Adjusted average assets rose 2.6%, to \$491.8 billion. Had AOCI moved the \$1.4 billion Part 1 projected, with everything else as printed, the ratio would have been 6.74% — a basis point below the objective, after earnings and after the halved buyback. The range held because the mark did not move, and the release does not say why: the available-for-sale book shrank to \$59.0 billion from \$62.5 billion, the held-to-maturity book to \$126.6 billion from \$130.6 billion, the AOCI on the securities Schwab moved to held-to-maturity accretes back each quarter, and Schwab's "with derivatives" duration is the hedged one. Which of those did the work is the 10-Q's to say. What the print settles is narrower and exact: the quarter's rate move did not reach Schwab's capital objective and Schwab bought back half as much stock as in the prior quarter. On the call the chief financial officer said the ratio "ended at 7% as we allowed capital to build to support continued strong client activity against a backdrop of volatile rates where yields moved meaningfully higher", that "we still have \$190 billion roughly of securities that are yielding sub 2%", and that full-year revenue and margin would land "towards the lower end of the ranges that we provided at the summer business update"; no one on the call asked about AOCI, the mark or the proposal, and July's one-December-hike assumption was not restated.

State Street. Part 1 had 5.3% at June against a 5.25–5.75% assumption, 13 basis points of available-for-sale move, 5.18% static before a quarter's earnings worth about 30. The print is 5.5%. State Street's own attribution for the quarter: "mainly driven by capital generated from earnings, higher preferred equity, and lower average balance sheet levels, partially offset by continued capital return", the preferred having risen to \$4,055 million from \$3,559 million, \$496 million of new issuance. The buyback was \$400 million, the same as the second quarter, and the call guided it up to about \$700 million in the fourth quarter toward an 80% payout for the year; AOCI fell \$471 million, and the one analyst who asked called it "not a whole lot of impact"; standardized CET1 rose to 11.0% from 10.8%, which the call attributed to lower risk-weighted assets. The range held on earnings and new preferred with the buyback unchanged, which is the "held, by what" Part 1 asked for and the second of the steelman's one-offs: the ratio was supported by issuing capital, not by the mark staying put, and State Street's available-for-sale mark moved exactly as projected.

PNC's swaps. PNC says the AOCI decline "reflected the impact of higher interest rates on securities and swaps, partially offset by the continued accretion of unrealized losses", and gives the securities leg: net unrealized losses on available-for-sale securities of \$4.0 billion from \$2.1 billion, about \$1.46 billion after tax at 23%, of a \$2.35 billion fall in AOCI. The remainder, about \$0.89 billion, is the swap book and the pension items. The securities leg is the larger, so the twelfth tripwire does not fire; the exact split is in the 10-Q. PNC's own capital arithmetic now shows CET1 including AOCI at 8.8% against the 9.8% reported, and it guides fourth-quarter repurchases "to approximate" the third quarter's \$0.6 billion. U.S. Bancorp, the third of Part 1's Category III names, bought back no stock in the quarter: its CET1 including AOCI fell to 9.1% from 9.4%, 40 basis points of it from the rate move, and it expects to resume repurchases "over the next quarter or two".

The marks, bank by bank. Part 1 projected the quarter's change in each company's available-for-sale mark from the lead bank's realized duration and the 5-year's 90-basis-point rise, and froze a band of 0.6 to 1.4 times around it. Six of the eleven print something that can be scored: four the available-for-sale mark itself, JPMorgan the securities component of its AOCI change, Schwab its AOCI. JPMorgan's supplement, in the CET1 capital rollforward, puts "unrealized gains/(losses) on investment securities" at a \$7,893 million reduction for the quarter, after tax, against a \$320 million addition in the second quarter; against the \$7,210 million after-tax projection that is 1.09 times. Bank of America's net unrealized loss on available-for-sale debt securities went from \$2.37 billion to \$4.81 billion, a move of \$2.44 billion against \$2.12 billion projected, 1.15 times. PNC's net unrealized losses on available-for-sale securities went from \$2.1 billion to \$4.0 billion, 0.90 times, and its portfolio duration lengthened to 4.1 years from 3.6. State Street's available-for-sale portfolio went from a \$56 million net gain to a \$557 million net loss, \$613 million against \$620 million, 0.99 times. BNY's pre-tax loss on available-for-sale securities *net of hedges* went from \$703 million to \$1,934 million, \$1.23 billion against \$2.22 billion, 0.55 times: Part 1 projected the unhedged book and said in the same sentence that the hedges cover 56% of it, and the print says the hedges did roughly what that implied. Schwab gives no securities line but reports AOCI in its adjusted leverage reconciliation; Part 1 read Schwab's AOCI from its 10-Q as the available-for-sale mark plus the amortizing loss on the securities moved to held-to-maturity, so the total is scored as the securities mark and labelled so: \$10.39 billion at September against \$10.23 billion at June, a move of \$164 million after tax against \$1.40 billion projected, 0.12 times. The held-to-maturity marks that the three custody and consumer banks print moved 0.85 times the projection at Bank of America (\$21.8 billion, to \$103.9 billion), 0.92 at State Street and 0.72 at BNY.

What a total AOCI line hides. Three of the eleven — Citigroup, Wells Fargo and U.S. Bancorp — print total AOCI and nothing underneath it, and two, Goldman Sachs and Morgan Stanley, print no AOCI line at all. The two that print both lines are the caution. JPMorgan's total AOCI fell \$12.1 billion in the quarter, 1.7 times the after-tax projection, while the securities line inside it fell \$7.9 billion, 1.09 times; Bank of America's total fell \$3.24 billion after tax while its securities mark fell \$1.88 billion, so two-fifths of the move was cash-flow hedges and other items. On that evidence Wells Fargo's \$8.2 billion fall (1.6 times the after-tax projection), U.S. Bancorp's \$2.5 billion (1.4) and Citigroup's \$2.3 billion (1.4, with currency translation inside it) are scored pending, not larger, and the hatched bars in Exhibit 1 are drawn for scale. Two fragments exist: Citigroup's regulatory capital page shows its cash-flow-hedge reserve going from a \$10 million gain to a \$116 million loss, and U.S. Bancorp's deck shows the AOCI-related adjustments to its capital at \$8.85 billion from \$6.79 billion, a \$2.06 billion move or 1.17 times, on a line that also carries pension items. Three managements attributed the move. Wells Fargo's deck says the AOCI decrease took 38 basis points off CET1 — against the 36 Part 1 computed for Wells Fargo Bank's available-for-sale leg — and left the ratio at 10.0%, the bottom of its stated 10–10.5% range. Bank of America's chief financial officer said "a \$1.8 billion portion of AOCI of AFS securities" reached CET1, about 10 basis points of risk-weighted assets against Part 1's 10, that hedging "continued to limit the AOCI effect of higher long-term rates on much of the AFS securities portfolio", and that "a little less than half of the total Q3 AOCI decline related to cash flow hedges and did not affect CET1". The reach test is held at both, and Bank of America's sentence is the direct evidence for scoring the total-AOCI banks pending. JPMorgan's CET1 fell 30 basis points to 13.9% on, in the chief financial officer's words, "OCI losses, higher RWA and capital distributions", which the supplement's roll does separate — \$7.9 billion of securities losses, standardized risk-weighted assets up \$51 billion, \$4.4 billion of dividends and \$1.0 billion of net share purchases — and the securities line alone is about 36 basis points of standardized risk-weighted assets against Part 1's 29 at the lead bank, which scores the reach test as held at a third firm (\$4); Bank of America's fell 37 to 10.9%; Goldman's 50 to 12.4% on risk-weighted assets up \$26 billion; Citigroup's and Morgan Stanley's were flat; State Street's rose 20 to 11.0%.

Crystallization. The test fires on any sale at a loss, and five banks sold at a loss. JPMorgan's Corporate segment booked \$658 million of net investment securities losses, \$498 million after tax and \$0.18 of earnings per share, against \$395 million in the second quarter — the line Part 1's eighth tripwire watched, negative again and larger. The release calls the losses "discretionary"; neither it nor the call uses the word repositioning, and whether the 10-Q does is the second leg of Part 1's eighth tripwire, read in November. Wells Fargo booked \$29 million of net losses on debt securities against a \$1 million gain in the second quarter; U.S. Bancorp \$65 million against \$49 million; BNY \$25 million, the same as the second quarter; PNC \$1 million, which it calls immaterial, against \$139 million. Citigroup realized \$64 million of gains on sales of investments, State Street none, and no release at Goldman Sachs, Morgan Stanley or Schwab carries a securities-gains line. No one disclosed a transfer into or a sale out of held-to-maturity, so the reading Part 1 attached to that branch — the reach moving upward — does not follow; Bank of America's held-to-maturity book ran off by \$9.4 billion of amortized cost, Wells Fargo's by \$6.7 billion, Schwab's by \$4.0 billion, on schedule rather than by sale.



The line, re-struck, and the market's reading



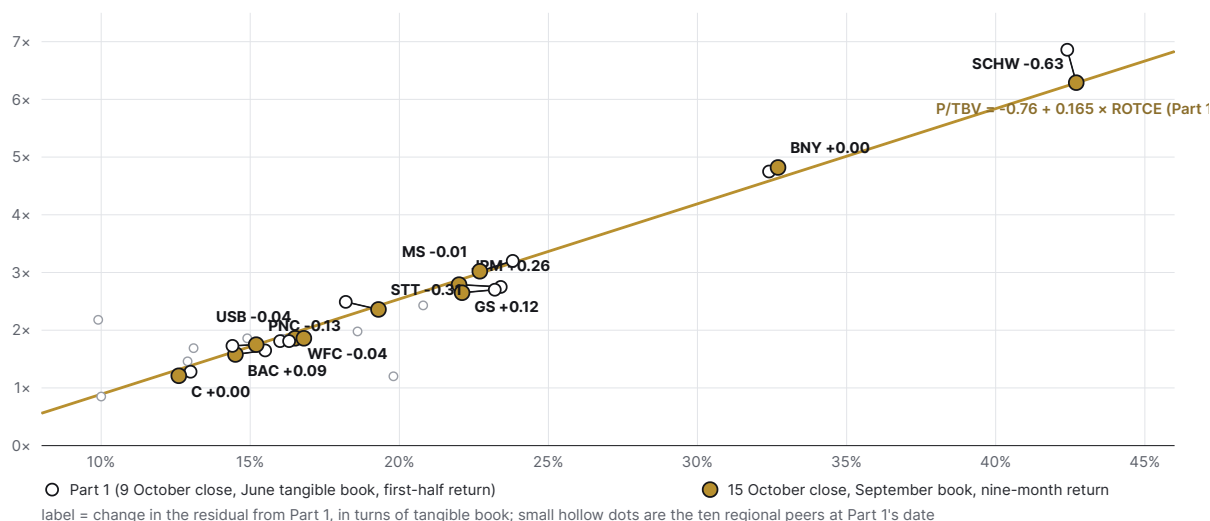
2 of 12

names whose residual from Part 1's fitted line moved more than 0.3× tangible book on the 15 October close; the test fires at three

The test. Part 1 fitted one line through the eleven with bank books and ten regional peers — $P/TBV = -0.76 + 0.165 \times ROTCE$, $R^2 0.88$ — and froze a test: if the prints moved the residuals from that line by more than 0.3 times tangible book at three or more of the twelve without a matching move in their returns, the group is priced on something other than returns. Part 2 does not refit. Each company's price to tangible book is re-struck on the 15 October settled close and its 30 September tangible book, rolled forward from Part 1's June figure by the company's own reported change; its return is the nine months to September annualized on Part 1's definition; the fitted value is read off Part 1's line at that return; and the residual is compared with the one Part 1 printed. A residual can move because the price moved or because the return moved the fitted value; the test asks for the first, so each change is read with the price-to-book move beside it.

EXHIBIT 6 — PRICE TO TANGIBLE BOOK AGAINST RETURN ON TANGIBLE COMMON EQUITY: PART 1'S POINTS AND THE POST-PRINT POINTS ON PART 1'S LINE

Price to tangible book against return on tangible common equity: Part 1's points and the post-print points, on Part 1's line



How to read it. Return on tangible common equity in percent along the bottom, price to tangible book value up the side, Part 1's fitted line in gold and its equation beside it. Each of the eleven appears twice: a hollow dot where Part 1 placed it (9 October close, June book, first-half return) and a gold dot where the prints place it (15 October close, September book, nine-month return), joined by a thin segment and labelled with the change in its distance from the line, in turns of tangible book. The small hollow dots are the ten regional peers at Part 1's date, for scale. Compare each segment's direction with the line; the one thing it shows is that the money centers barely moved relative to the line, that State Street and Schwab fell toward it by more than the threshold, and that BNY sits where it was.

	15 OCT CLOSE	TBV/SHARE, SEP (JUN)	P/TBV NOW (PART 1)	ROTCE, 9M ANNUALIZED (1H)	FITTED, PART 1 LINE	RESIDUAL NOW (PART 1)	CHANGE
JPMorgan Chase	\$335.53	\$112.64 (\$113.35)	2.79x (2.75x)	22.0% (23.4%)	2.87x	-0.08x (-0.34x)	+0.26x
Goldman Sachs	\$891.28	n.p.	2.65x (2.70x)	22.1% (23.2%)	2.89x	-0.24x (-0.36x)	+0.12x
Citigroup	\$123.21	\$101.59 (\$100.89)	1.21x (1.28x)	12.6% (13.0%)	1.31x	-0.10x (-0.10x)	0.00x
Wells Fargo	\$82.75	\$44.46 (\$46.13)	1.86x (1.81x)	16.5% (16.0%)	1.96x	-0.10x (-0.06x)	-0.04x
Bank of America	\$51.70	\$29.14 (\$29.37)	1.58x (1.65x)	14.5% (15.5%)	1.63x	-0.05x (-0.14x)	+0.09x
Morgan Stanley	\$182.10	\$53.96 (\$53.18)	3.02x (3.20x)	22.7% (23.8%)	2.99x	+0.03x (+0.04x)	-0.01x
State Street	\$167.60	\$59.69 (\$59.23)	2.36x (2.49x)	19.3% (18.2%)	2.43x	-0.06x (+0.25x)	-0.31x
Charles Schwab	\$94.16	n.p.	6.29x (6.86x)	42.7% (42.4%)	6.28x	+0.01x (+0.64x)	-0.63x
PNC	\$214.94	\$107.64 (\$111.09)	1.75x (1.73x)	15.2% (14.4%)	1.76x	-0.01x (+0.12x)	-0.13x
U.S. Bancorp	\$57.39	\$29.34 (\$30.04)	1.86x (1.81x)	16.8% (16.3%)	2.01x	-0.15x (-0.11x)	-0.04x
BNY	\$142.09	\$32.22 (\$32.81)	4.82x (4.75x)	32.7% (32.4%)	4.63x	+0.18x (+0.18x)	0.00x

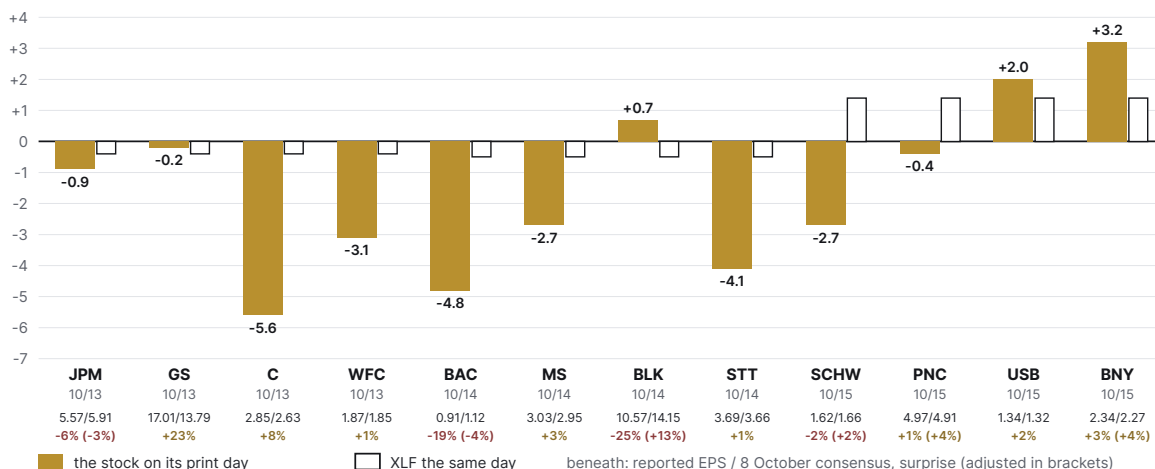
Price to tangible book is on Part 1's tangible-equity definition, rolled forward by each company's own reported change, so the test is computed on one definition throughout; at six names Part 1's June figure did not deduct preferred stock, so price divided by the printed tangible book per share gives a higher multiple (JPMorgan 2.98x, Bank of America 1.77x, State Street 2.81x), and at BNY, where Part 1's figure sat below the company's, a lower one (4.41x against 4.82x). Goldman and Schwab do not print tangible book per share.

What moved and what did not. Two names crossed the threshold on the frozen basis (the 15 October settled close, Part 1's published line), both downward toward it: State Street, from +0.25 to -0.06 times, and Schwab, from +0.64 to +0.01. The two names Part 1 handed to the valuations as residuals to explain, JPMorgan at -0.34 and Goldman at -0.36 times, moved toward the line by 0.26 and 0.12, below the threshold. The decomposition is the same at the three largest movers, and it is printed for all three: a residual change is the multiple's move less the fitted value's. At Schwab the multiple fell 0.57 (a 2.6% lower price on a tangible equity up about 6% on the quarter's earnings) against a fitted value up 0.06 on a flat return, so the change is almost all price. At State Street the multiple fell 0.13 and the fitted value rose 0.19 as the nine-month return rose to 19.3%, so the change is a little more return than price. At JPMorgan the multiple rose 0.04 and the fitted value fell 0.22 as the return normalized to 22.0% from the half-year's 23.4%, so the change is almost all return. The test counts crossings, not causes, and found two; the house keeps reading the group as priced on one line. It notes, for the next re-strike, that a 0.3× threshold is 5–6% of the multiple at Schwab and BNY, 11% at JPMorgan and Goldman, and 16–25% at the other money centers, that both crossings came at the high-multiple end, and that on the 16 October last trade — not the strike — JPMorgan's change reaches 0.30 on Part 1's unrounded coefficients. Citigroup, BNY and Morgan Stanley did not move at all. Goldman's and Schwab's tangible book are rolled from book value per share and from total equity respectively and are marked as such in the data.

The reactions. Nine of the twelve closed below their prior close on their print day and eight underperformed the financials index the same day; the index itself rose 0.4% from the 12th to the 15th. Citigroup fell 5.6% on a beat (\$2.85 against \$2.63 consensus) and 7.3% over two sessions; Bank of America 4.8% on reported earnings of \$0.91 that carried a regulatory settlement charge (\$1.08 without it, against \$1.12); State Street 4.1% on a beat; Wells Fargo 3.1% on a beat; Morgan Stanley 2.7% and Schwab 2.7%; JPMorgan 0.9% on \$5.57 reported, \$5.75 before the securities loss, against \$5.91 — a miss on both. BlackRock (+0.7%, then +5.1% over two sessions on \$15.93 as adjusted, \$10.57 reported, against \$14.15), U.S. Bancorp (+2.0%) and BNY (+3.2%, on \$2.34 reported and \$2.37 adjusted against \$2.27) rose. Eight of the twelve beat the consensus Part 1 archived on 8 October on reported earnings; JPMorgan and Bank of America missed on both the reported and the adjusted figure, Schwab and BlackRock missed on the reported and beat on the adjusted. Tangible book per share fell on the quarter at six of the nine that print it — Wells Fargo by 3.6%, PNC by 3.1%, U.S. Bancorp by 2.3%, BNY by 1.8%, Bank of America by 0.8%, JPMorgan by 0.6% — which is the AOCI move arriving in the denominator the group is priced on, and the mechanism by which the mark reaches a share price without ever reaching a regulatory ratio.

EXHIBIT 7 — THE PRINT-DAY MOVE AT EACH OF THE TWELVE, AGAINST THE FINANCIALS INDEX THE SAME DAY, WITH EARNINGS AGAINST THE ARCHIVED CONSENSUS

Print-day move against the prior close, and the same day's move in the financials ETF, %



How to read it. One pair of bars per company in print order, Tuesday to Thursday: the gold bar is the stock's close-to-close move on its print day in percent, the hollow bar the financials ETF's move the same day. Beneath each pair, the reported earnings per share against the consensus Part 1 archived on 8 October and the surprise, with the adjusted figure in brackets where the company reports one. Compare each gold bar with its hollow neighbour and with the earnings line beneath; the one thing it shows is that the sell-off was the stocks, not the sector, and that it did not follow the earnings surprise.

What moved in Part 1, what would change the reading, and what stays open

2 Part 1 claims the prints made wrong; one further claim retired by the prints, one changed in kind

Where Part 1 was wrong, in plain words. First, the two ranges. Part 1 said the quarter's available-for-sale move breached Schwab's and State Street's self-set ranges on paper, before earnings, and that the prints would test whether earnings carried them or buybacks paused. State Street's did what Part 1 said: the mark moved as projected, earnings and new preferred carried the ratio. Schwab's did not: the mark moved \$164 million against \$1.4 billion, and on the counterfactual in §4 that one line is the whole difference between a breach and the top of the range. The projection of Schwab's mark was wrong, by a factor of eight, and the house does not yet know why; the claim that the move breached two ranges on paper is retired. Second, BNY. Part 1 projected the unhedged book and flagged the hedges; the test scores the printed number, net of hedges, and it is 0.55 times. That is a miss by the test's own rule and the lesson is in the rule: a projection that knows it is gross should have been frozen net. Third, a change in kind rather than a miss: Part 1 recorded that on nine July calls no analyst raised the marks, the election or the proposal, and that neither Schwab's nor State Street's call mentioned AOCI at all. In October JPMorgan cut its buyback to \$664 million net — the UBS analyst put it as "\$1 billion buyback versus the normal cadence of around \$7 billion" — and its chairman gave the reason as redeploying about \$30 billion of excess capital at better returns than buying the stock at roughly a 6% earnings yield, and volunteered that the smaller buyback had "nothing to do with AOCI", the environment or the capital rules; Citigroup's chief financial officer twice described the quarter's rate-driven loss in other comprehensive income as something to "absorb", Wells Fargo said it will "continue to consider the interest rate environment and the impact on accumulated other comprehensive income when determining how much stock we repurchase", and analysts touched the marks, hedging or capital at nine of the twelve calls. The silence Part 1 described broke on the management side first.

Where Part 1 held. The projection method is close where the mark is printed and the book is unhedged (JPMorgan, Bank of America, PNC, State Street). The held-to-maturity marks moved 0.72–0.92 times the projection at the three that print them. The hike has not shown in the betas. Deposits grew. The nonbank book is as invisible as Part 1 said. The two names handed to the valuations as residuals narrowed toward the line as their one-off quarter rolled out of the returns, which is the direction Part 1's §5 implied. The pricing test did not fire. The crystallization test fired exactly where Part 1's eighth tripwire said it would, at JPMorgan, and nowhere that changes the reading from an earnings drag to a liquidity question: five loss sales, none with a deposit fall, none disclosed out of held-to-maturity.

The hand-off. JPMorgan, Goldman Sachs and BlackRock were valued as the three archetypes after their prints — the universal bank, the markets house and the asset manager — and each note carries its own model and its own triggers; the residuals in §5 are the inputs those notes were handed and this note does not preview their numbers. The insurer thematic follows on 21 October.

What would change this reading before the addendum. The house would score the marks "larger", not pending, at any of Wells Fargo, U.S. Bancorp or Citigroup whose Q3 10-Q puts the securities component of its AOCI change above 1.4 times the projection — the direction the total lines point — and would revise Part 1's system number upward only on the FDIC's total, as Part 1 froze it. It would read the earnings story (§1, finding three) as having run ahead of the rate if the fourth-quarter releases cut a net interest income guide with the December hike delivered. It would read capital as gated by the mark rather than the rule (finding four) if, a quarter after the final rule, Bank of America's and Wells Fargo's buyback pace has not risen and U.S. Bancorp's has not resumed with the marks where they are. It would read credit as turning (finding six) if the Q3 10-Qs show a reserve build or a nonperforming increase against nonbank lending at any of the three tracked names, or if a second quarter of rising commercial nonperforming loans follows PNC's. It would re-open Schwab's range if the 10-Q shows the flat AOCI came from sales or transfers rather than from hedges, runoff and accretion, or if the October activity report prints transactional sweep cash below \$473 billion or bank deposits down a further 2%. It would read the cost of money as having broken the betas if the fourth-quarter releases show interest-bearing deposit costs up more than 13 basis points at two of the four money centers with the hike's full quarter in — a threshold this note sets, Part 1 having written only "more than the funds rate": a beta above the roughly 50% that PNC and U.S. Bancorp stated, the money centers having stated none, against a 25-basis-point hike. It would move the tail from "none" if the Call Reports show Home Loan Bank advances or other borrowed money

up 50% and \$5 billion at any lead bank whose deposits fell 3%, or if the FDIC's total prints outside \$497–517 billion. It would score the nonbank tripwire "fired" on any reserve build or markdown in a 10-Q's credit note at the three names, and "disclosed" on a first-time balance with an allowance within 25 basis points of the commercial book. And it would read the group as priced off the line if a third name moves more than 0.3 times on the same book and return basis at the next re-strike, which is the one after the 10-Qs. The December rule, Citigroup's gauge and the Treasury rule are scored when their documents exist and not before. It would read the AI-financing exposure as sized, and score it, on the first 10-Q or fourth-quarter release at any of the eight lenders on whose calls it was raised that breaks out data-center or AI-related commitments as a line, or whose 10-Q discusses AI-related credit exposure as a known trend or uncertainty in its MD&A or as an updated risk factor; and it would score the absence of both from the Q3 10-Qs of the six managements that named the risk on their calls — JPMorgan, Wells Fargo, Goldman Sachs, Morgan Stanley, Bank of America and PNC — as silence, the disclosure branch, which the addendum reads two ways: immaterial at the firm's own threshold, or a named risk left unsized; JPMorgan, which says it stresses the enterprise against it, and Wells Fargo, which says it keeps "very hard limits" on it, are the two where a number exists to be disclosed. It would read the deposit side as live on the first management that reports agent-driven balance movement or changes a beta for it.

The reversal block's observables, scored. Deposits –3% with a loss sale, or Schwab's sweep –\$10 billion: not fired. A nonbank build at JPMorgan, Wells Fargo or Morgan Stanley: none at any of the three. Interest-bearing deposit costs rising more than the funds rate at the money centers: split — not fired against the 25-basis-point hike, fired against the 3.6-basis-point quarter average, at all four; Part 1 did not specify which, the house reads it as the hike for the reason given in §1, and records the other reading as fired. Retiring the nonbank concern: not met, no balances disclosed. Retiring the funding concern: partly — noninterest-bearing held share at JPMorgan and Bank of America and slipped at Wells Fargo; uninsured shares pending. Retiring the capital concern: pending the FDIC. Stablecoin supply against bank deposits, in the quarterly form: dollar stablecoins grew \$2.2 billion in the third quarter against \$257 billion of H.8 deposit growth, so the first of the two consecutive quarters fails the condition and the clock restarts. Treasury's final rule on the yield prohibition: not due — the proposal was published on 18 August (Federal Register 2026-16796) and its comment period closes on 19 October. The consortium token: not due — the 21-bank company forms in the second half of 2026 and targets a dollar token in the first half of 2027. The pricing residuals: two of three, not fired. Revising the system number: pending the FDIC; on the twelve, smaller at two of the six scored, against the six of eleven that would revise it downward. Dropping the two breaches: met, both ranges held with Schwab's buyback continuing at half its pace.

The pending ledger. What closes the open items, and when.

ITEM	CLOSES WITH	WHEN
Tripwire 1 — the securities component of the AOCI change at Goldman Sachs, Citigroup, Wells Fargo, Morgan Stanley, U.S. Bancorp; held-to-maturity marks at eight	the Q3 10-Qs	late October to early November
Tripwire 2 — the AOCI line of the CET1 roll at five of the eight Category I firms	the Q3 10-Qs	early November
Tripwire 6 — the FDIC's system total against \$497–517bn; the sector's leverage ratio	FDIC Quarterly Banking Profile, Q3 2026	24 November to 3 December
Tripwire 8 — the JPMorgan 10-Q repositioning sentence	JPM Q3 10-Q	early November
Tripwire 9 — Citigroup's AOCI at risk per 100bp	C Q3 10-Q	early November
Tripwire 10 — the December rule	the agencies' final rule, or 31 December	December
Tripwire 12 — PNC's exact securities / swap split	PNC Q3 10-Q	early November
Tripwire 13 — Home Loan Bank advances and other borrowed money, deposits by lead bank	Q3 Call Reports via FDIC BankFind	late November
Uninsured deposit shares at the money centers	10-Qs and Call Reports	November
Card credit at Capital One	COF Q3 release	after this note
AI-related credit exposure — sized as a line, or discussed in the MD&A as a known trend or uncertainty or as an updated risk factor, at the six managements that named the risk on their calls	the Q3 10-Qs	early November
Schwab's October activity report	aboutschwab.com, mid-November	November

The addendum that closes the tripwire rows is dated to the FDIC's release and is the last document of this two-part note.

SOURCES

Sources and Method

The documents. The twelve companies' current reports on Form 8-K filed to EDGAR on 13 October (JPMorgan Chase, accession 0001628280-26-065582 and -065616; Goldman Sachs 0000886982-26-000529; Citigroup 0001104659-26-115323; Wells Fargo 0000072971-26-000318), 14 October (Bank of America 0000070858-26-000481; Morgan Stanley 0000895421-26-000288; BlackRock 0001193125-26-420979; State Street 0000093751-26-000592) and 15 October (Charles Schwab 0000316709-26-000035; PNC 0001628280-26-065936 and -065997; U.S. Bancorp 0000036104-26-000054; BNY 0001390777-26-000104), each with its Exhibit 99.1 earnings release and, where filed, Exhibit 99.2 financial supplement and Exhibit 99.3 presentation; BNY's and State Street's second-quarter 8-Ks (15 and 16 July) for the June comparatives of BNY's hedged available-for-sale loss and State Street's available-for-sale mark and buyback. Every figure in this note is transcribed from those documents with its file and line in the note's data, each token verified by script against the source text at its cited line (a check of the number, not of its label; the labels were read by the claim verifier); the call archive holds each call's company-posted transcript where one exists (JPMorgan, Citigroup) and at least two independent transcriptions otherwise, every quotation with its file and line and a flag where it rests on a single transcription. Wells Fargo posts no transcript and its call is quoted from independent transcriptions only. The cautionary and forward-looking-statements section of each of the twelve releases was read in full and is summarised, with locations, in the note's data (risk_disclosures_q3_releases.md); four (JPMorgan, Morgan Stanley, Schwab, BNY) cross-refer to the 10-K and name no risk of their own.

Part 1's bases. The projections, durations, the 0.6–1.4× band, the Category I reach in basis points, the two ranges' June figures, the fitted line and its residuals, the consensus estimates and the thresholds are read from Part 1's archived data as published on 10 October and are not recomputed. Prices are Robinhood's settled closes for 8–15 October and the 16 October regular-session last trade, which is written as such because the settled close had not posted; the financials index is XLF, the bank indices KBE and KRE. The funds rate is FRED's daily effective rate averaged over the calendar quarters; the H.8 deposit series is FRED's weekly figure nearest each quarter-end; dollar stablecoin supply is DefiLlama's total.

Method, the tests. Tripwire one compares the printed change in the available-for-sale mark (pre-tax) with Part 1's projection where a release prints the mark, JPMorgan's securities component (after tax, from the CET1 capital rollforward) with the after-tax projection, scores Schwab on its AOCI on Part 1's reading of its composition, and scores "pending" where a release prints only a total AOCI line; total lines are shown grossed up at 23% for scale. The pricing test rolls Part 1's June tangible common equity forward by each company's own reported change (tangible common equity where printed; tangible book per share times shares at Citigroup, Wells Fargo and BNY; book value per share less June's goodwill and intangibles at Goldman; total equity less June's preferred, goodwill and amortizing intangibles at Schwab) and re-strikes price to tangible book at the 15 October close; the return is the nine months' net income to common, annualized, over the average of year-end 2025 and September tangible common equity; the fitted value is Part 1's line. PNC's swap leg is the AOCI change less the securities change after tax at 23%. The deposit-cost test is read against the 25-basis-point hike as frozen and against the 3.6-basis-point change in the quarter's average funds rate as a second reading. Every number is produced by two archived scripts, the extraction with its verifier and the scoring engine, from the archived documents. The AI thread (finding five) is read from one transcript per bank, each quotation located to a file and line and confirmed in a second independent transcription where no company transcript is archived, and the classification cross-checked against every archived transcription of each call; the extraction and the classification table are archived with the note's data.

Limitations. The securities component of AOCI at five of the eleven, the held-to-maturity marks at eight, the uninsured deposit shares and the Category I capital rolls are 10-Q and Call Report disclosures and are pending by construction. Two tangible-book figures are rolled, not printed. Period-end deposits at BNY are not in its release. The call archive rests on independent transcriptions at the firms that post none, and on the archive's own reading of what was asked. The counterfactual ratio in §4 holds everything but AOCI at the printed values and is arithmetic, not a claim about what Schwab would have done. A one-day reaction is a fact about the price, not about the print.

Prior TON618 research. US Banking Before the Print (10 October 2026), Part 1 of this note, holds the frozen tests, the projections and the sector ledger they were cut from; JPMorgan Chase, Goldman Sachs and BlackRock are the three archetype valuations that followed their prints. Context, never a prerequisite.

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