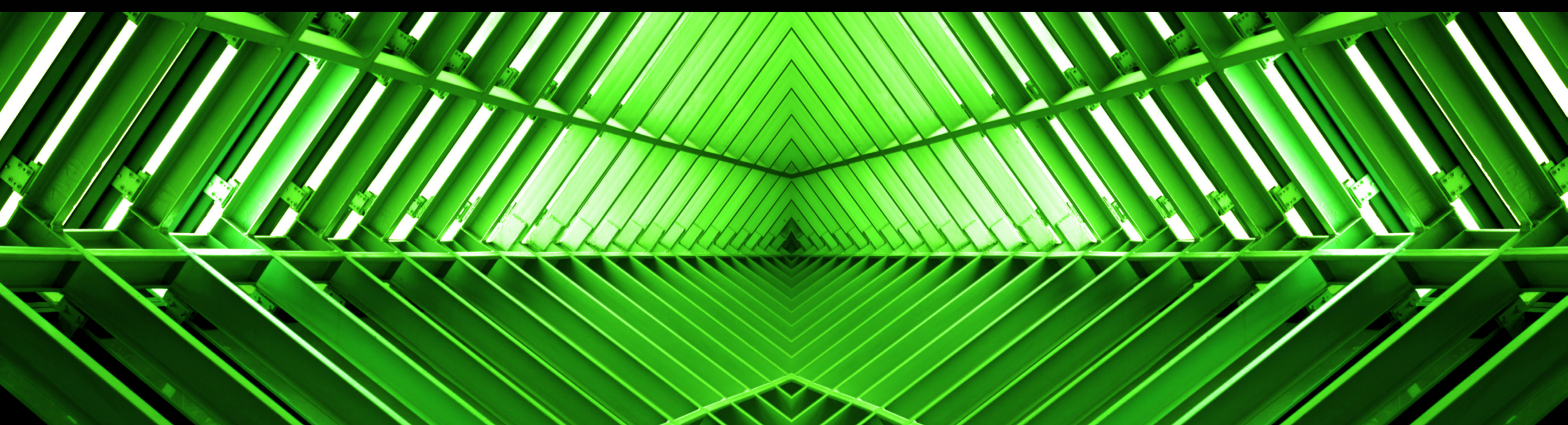


An improving outlook: Forecasting the performance of the US banking industry

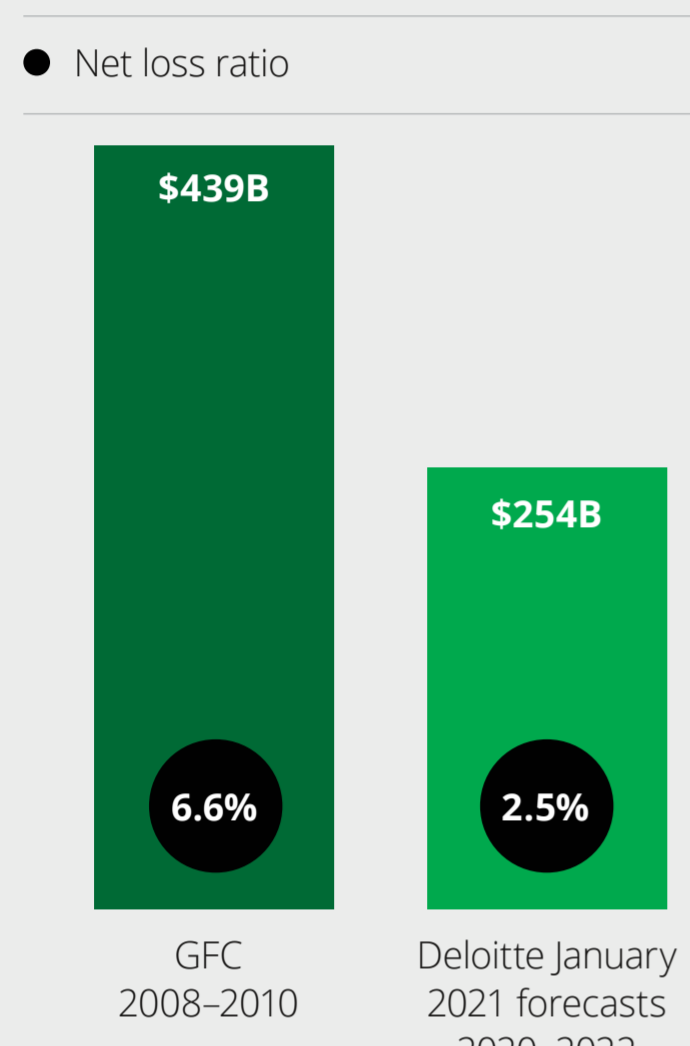
The outlook for banks is looking up, but lingering questions about the economic recovery and expectation of an ongoing low-rate environment present significant challenges over the next several years.

Deloitte forecasts that US commercial banks could experience up to \$254 billion of net loan losses between 2020 and 2022. Our latest estimate is also lower than our previous forecasts, mainly due to improving economic prospects. This is also significantly less than the cumulative net loan losses during the Great Financial Crisis (GFC). Commercial and consumer loans should take the biggest hit. On the revenue side, loan growth should remain muted, and the low-rate environment will likely continue to suppress net interest income. The banking industry is expected to continue implementing cost reduction strategies and refining its business models to drive growth.



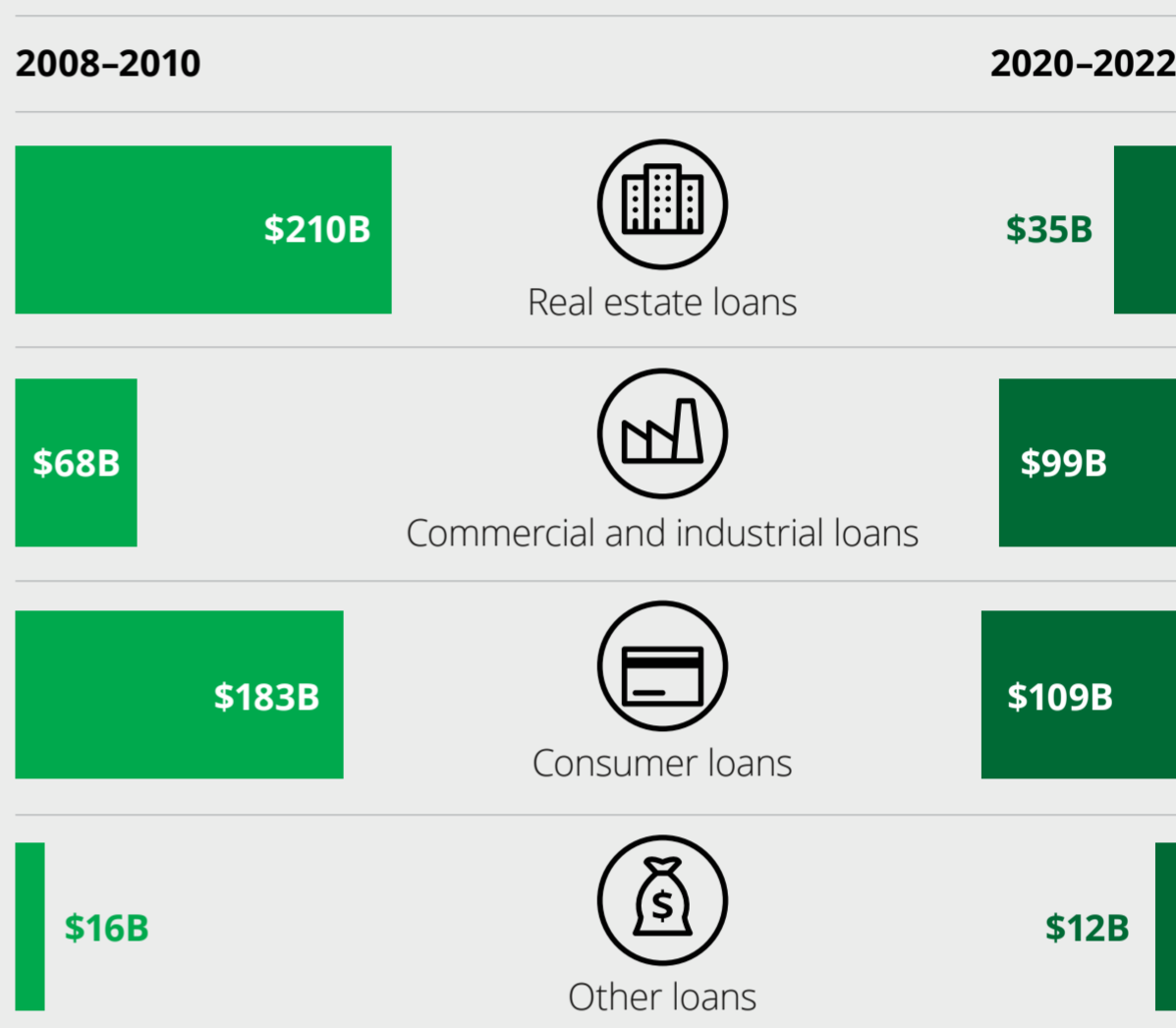
Net loan losses

Net loan losses between 2020 and 2022 are significantly less than the cumulative net loan losses during the GFC.



Source: S&P Global Market Intelligence, Deloitte Center for Financial Services forecasts.

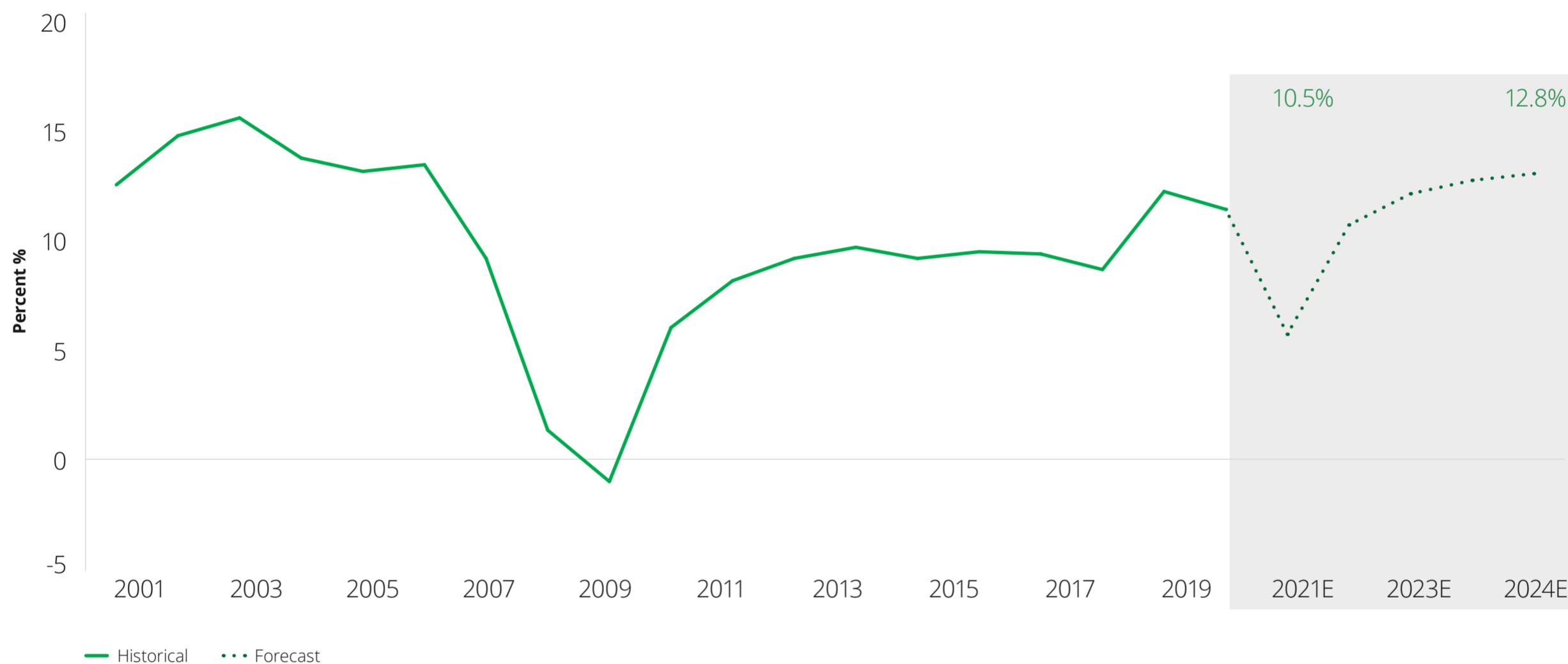
Consumer and commercial loans are expected to contribute to overall loan losses the most.



Source: S&P Global Market Intelligence, Deloitte Center for Financial Services forecasts.

Return on equity

The average ROE is expected to bounce back to 10.5% in 2021 in our baseline scenario.

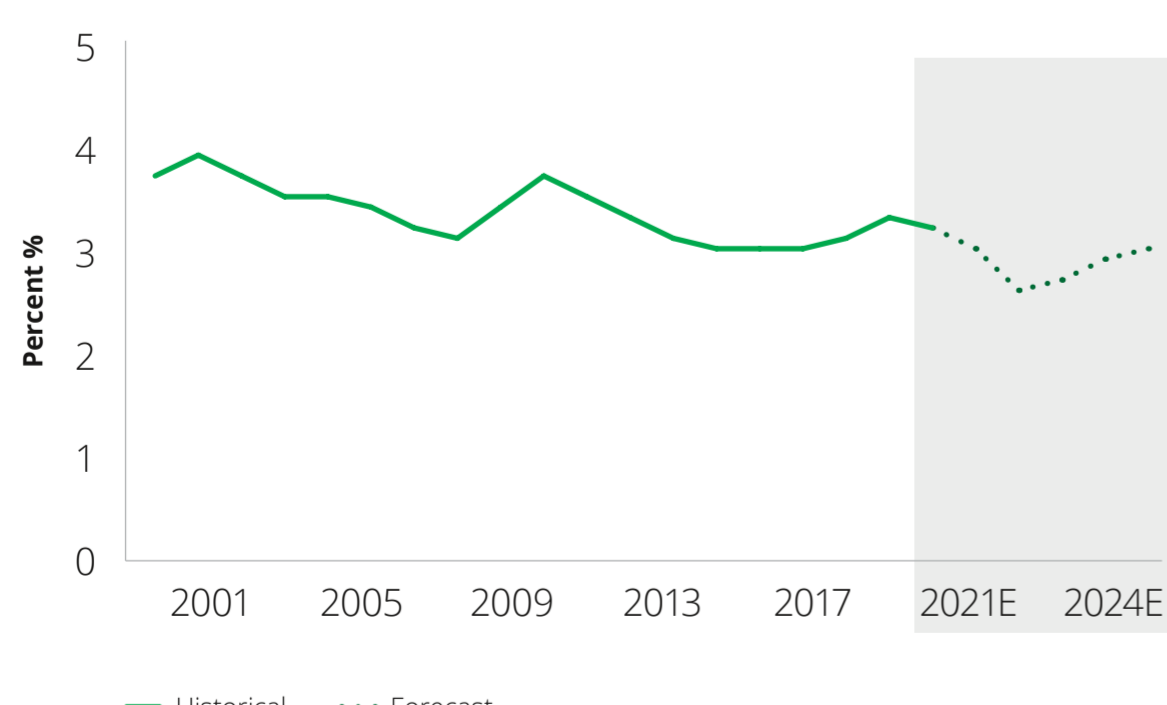


Forecasts represents baseline projections. Please refer to "The Path Ahead: Forecasting the performance of the US banking industry" for more details.
Source: S&P Global Market Intelligence, Deloitte Center for Financial Services forecasts.



Net interest margin

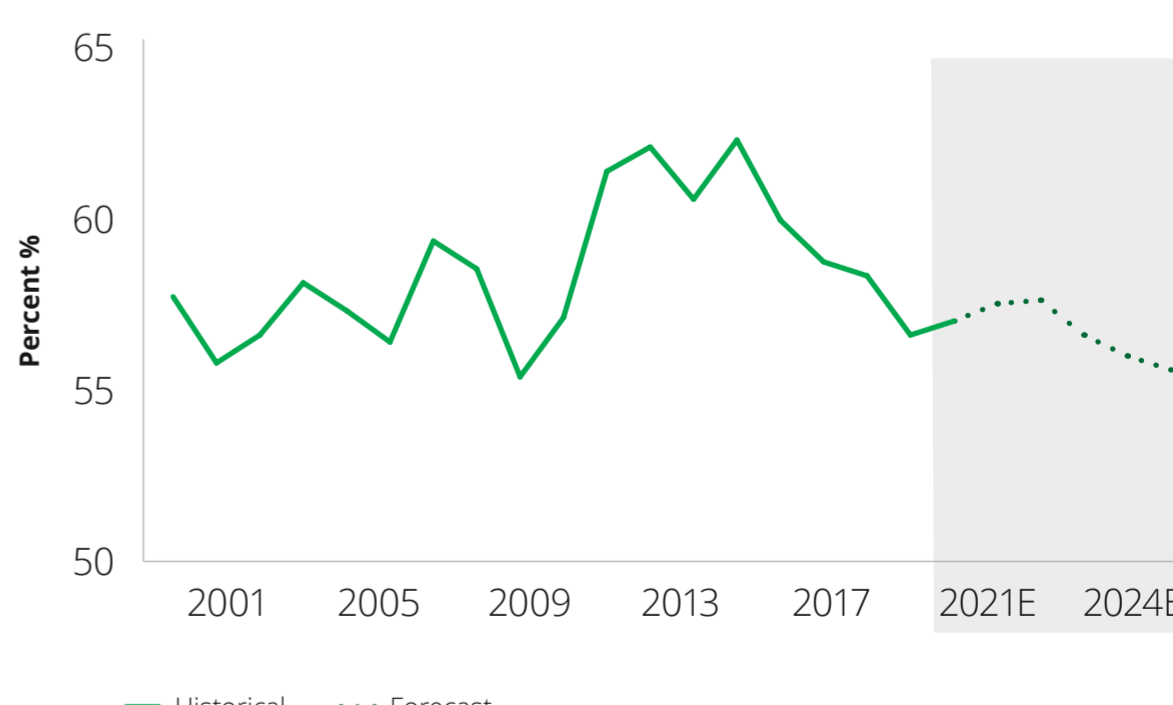
NIM will likely remain suppressed for the foreseeable future due to the low-rate environment.



Forecasts represents baseline projections. Please refer to "The Path Ahead: Forecasting the performance of the US banking industry" for more details.
Source: S&P Global Market Intelligence, Deloitte Center for Financial Services forecasts.

Efficiency ratio

Efficiency ratio could improve in 2022 due to structural cost initiatives and increased digitization.



Forecasts represents baseline projections. Please refer to "The Path Ahead: Forecasting the performance of the US banking industry" for more details.
Source: S&P Global Market Intelligence, Deloitte Center for Financial Services forecasts.

Contact us

Corey Goldblum
Partner
Banking Valuation
Deloitte & Touche LLP
+1 404 220 1432
cgoldblum@deloitte.com

Max Bercum
Principal
US Leader Financial Services
M&A and Restructuring
Deloitte Consulting LLP
+1 305 372 3146
mbercum@deloitte.com

Val Srinivas, PhD
Research leader
Banking & Capital Markets
Deloitte Center for
Financial Services LP
Deloitte Services LP
+1 212 436 3384
vsrinivas@deloitte.com

Abhinav Chauhan
Senior analyst
Deloitte Center for
Financial Services
+1 615 209 6773
abhchauhan@deloitte.com