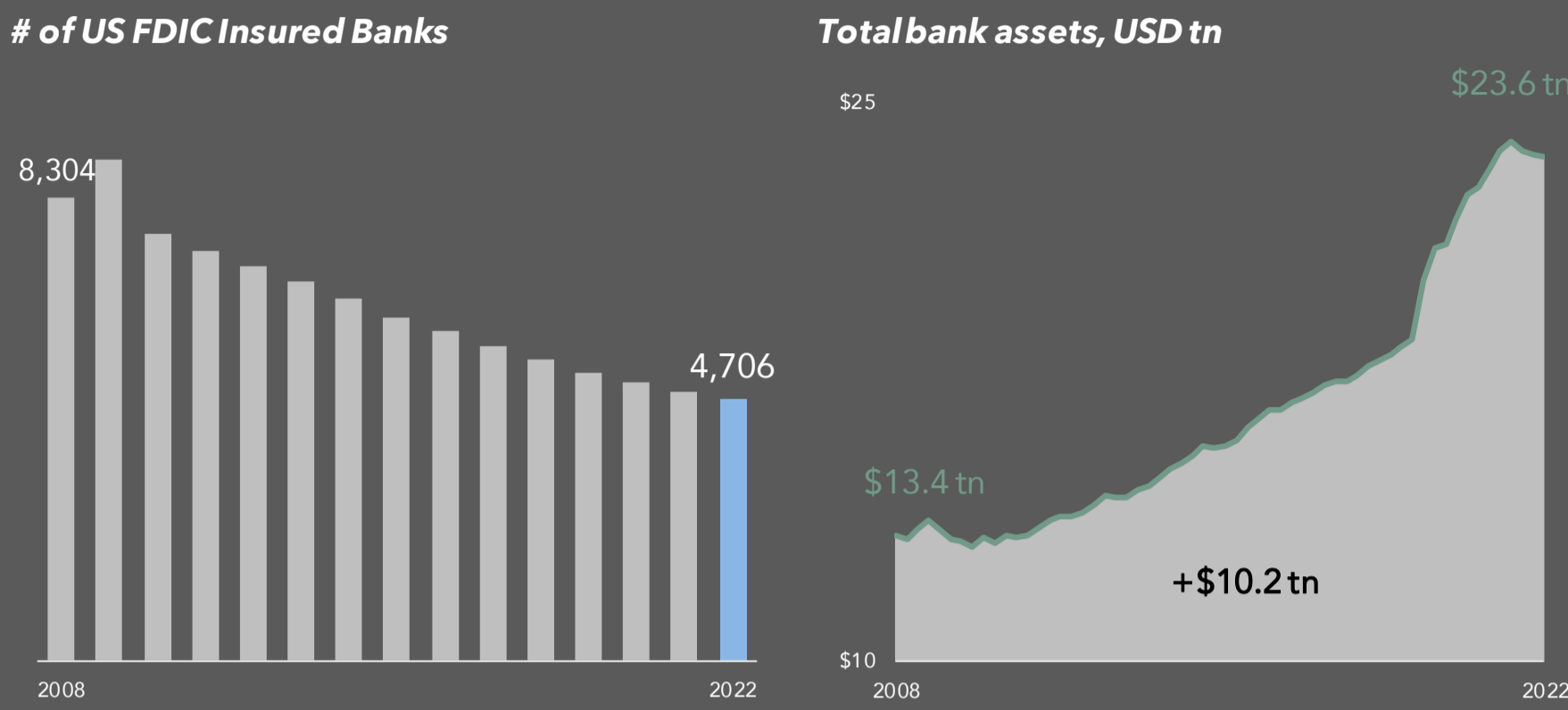


Chart of the Day



Since the 2008-9 GFC, the number of US banks has dropped by nearly half, while total banking system assets have nearly doubled.



Expectations for US Bank Sector Consolidation:

- **Near term (1-2 years):** Slow pace expected (regulatory approval and portfolio mark-to-market)
- **Medium term (3-5 years):** Significant pace of consolidation (tighter liquidity standards, deposit outflows and higher cost of capital challenging small bank business model)

Only one year into “double tightening” (rate increases, QT), the US and global financial system has already shown itself to be intolerant to higher interest rates. Following the FDIC’s seizure of First Republic Bank on May 1st, three of the four largest bank failures in US history have now occurred in the last two months. In a deal struck with regulators, JPM will assume all of First Republic’s \$92 bn in deposits (insured and uninsured), and will purchase most of the banks assets including \$173 bn in loans and \$30 bn in securities. A loss sharing agreement will reduce the FDIC’s insurance fund by an estimated \$13 bn.

<p>UK Pension – Gilt Crisis (Sep 23, 2022)</p>	<p>Crypto-currencies / FTX (Nov 7, 2022)</p>	<p>Silvergate Capital Corp (Mar 8, 2023)</p>	
<p>Silicon Valley Bank (Mar 10, 2023)</p>	<p>Signature Bank (Mar 12, 2023)</p>	<p>Credit Suisse (Mar 19, 2023)</p>	<p>First Republic (May 1, 2023)</p>

3 of the 4 largest bank failures in US history occurred in the last two months

Source: (1-2) FDIC, Bloomberg. Data as of May 1, 2023.

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“Macro stability isn’t everything, but without it, you have nothing.”