

Improvement, Unevenly Distributed

BankAtlas U.S. Banking Risk Quarterly — Q2 2026

U.S. banking conditions strengthened year over year, but the gains masked sharply different balance-sheet trends across bank sizes. Stronger institutions sit high in their historical range, while Asset Quality and CRE pressures remain concentrated among smaller banks and relative funding vulnerability continues to rotate across a small, asset-light cohort.

Data through Q2 2026 | 4,296 U.S. banks | 4,286 matched year over year | BankAtlas proprietary analytical framework

CONTENTS

2	Executive Summary		3	Q2 2026 Banking Risk Dashboard	
4	Did U.S. Banking Conditions Improve in Q2 2026?	1–2	5	What Drove Banking Conditions in Q2 2026?	3–4
6	How Did Banks Move Within the Peer-Relative Grade Distribution?	5–6	7	How Did Banking Conditions Differ by Asset Size?	7–8
8	Where Is Relative Run Vulnerability Concentrated?	9–10	9	Where Are Balance-Sheet Pressures Building?	11–12
10	Did Balance-Sheet Pressures Concentrate Within the Same Banks?	13–14	11	What Characterizes the Weakest Part of the Distribution?	15–16
12	How Unusual Are Current Banking Conditions Historically?	17–18	13	What This Report Will Re-Test in Q3	
14	Methodology, Definitions & Disclosures				

Exhibit numbers run in one sequence across the issue. Numbering is final for this issue.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

BankAtlas grades and analytical measures are proprietary risk measures, not credit ratings or investment recommendations. Historical relationships and backtested results do not predict the outcome of any individual institution.

Executive summary

U.S. banking conditions improved year over year through Q2 2026, but the improvement was uneven across institutions and balance-sheet dimensions. Stronger banks sit high in their historical range, while the weakest end remains much closer to normal; smaller institutions continue to face Asset Quality and CRE pressure even as capital and securities positions improve; and relative funding vulnerability remains concentrated in a small, rotating, asset-light cohort.

FIVE FINDINGS

1 **Conditions improved, but the advance was uneven**

The composite score improved year over year, yet only 43.7% of matched banks improved — a plurality rather than a majority, with the remainder split between deterioration and no material movement. Measured against its own history the median sits comfortably above the middle, while the upper quartile stands near the top of its post-2003 range and the weakest decile remains close to normal.

P4, P12

2 **The drivers differed sharply by bank size**

Below \$10 billion, Asset Quality deterioration was broad — claimable in 4 of 5 reporting bands — and CRE concentration rose, even as capital and securities positions improved. Above \$100 billion the pattern inverted: capital weakened while credit-quality and CRE measures improved. The same headline covers materially different balance sheets.

P5, P7, P9

3 **Securities-loss recovery was the broadest favorable movement**

Securities-loss measures improved across all four major asset cohorts, with roughly 75–78% of banks moving favorably — the only balance-sheet family favorable and claimable everywhere. This is reported as a balance-sheet movement; the report does not attribute the composite improvement to it.

P9

4 **Weak standing is persistent, and distinct from run vulnerability**

The weak composite tail holds 29.9% of institutions but under a fifth of banking assets, and roughly three-quarters of it remained weak year over year. Only about a quarter of that tail also sits in the elevated relative run-vulnerability watch zone, which is smaller, more asset-light, and turns over faster. Fundamental weakness and acute funding vulnerability are not the same population.

P8, P11

5 **Adverse pressures were dispersed, not stacked**

Among institutions reporting all six core balance-sheet families, 25.4% showed adverse movement in three or more of them — against what the individual family rates alone would produce. The report finds no evidence of excess accumulation within particular institutions, in the population as a whole or within any size cohort.

P10

Importantly, these adverse balance-sheet pressures did not accumulate within the same institutions more often than expected from their individual prevalence.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Every statement above is drawn from an exhibit published in this issue; the supporting statistics, populations and gates are reported on the pages cited beside each finding. No figure, threshold or interpretation originates on this page.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

Q2 2026 banking risk dashboard

Conditions improved year over year, but the strength was uneven: stronger institutions sit high in their historical range, while the weakest tail remains closer to normal and relative funding vulnerability continues to rotate across institutions.

SYSTEM CONDITIONS

Banking conditions

63.4th percentile

Median composite 4.0700, against 93 prior quarters

HISTORICAL RANK · 2003Q1→2026Q1

94-quarter series

Exhibit 18 · p12

Breadth of improvement

43.7% improved

29.2% deteriorated · 27.1% approximately flat

YOY · Q2'25→Q2'26

4,286 matched institutions

Exhibit 2 · p4

DISTRIBUTION

Upper-end strength

91.4th percentile

75th percentile of the score distribution; the 10th percentile stands at only 54.8

HISTORICAL RANK · 2003Q1→2026Q1

94-quarter series

Exhibit 18 · p12

Weak composite tail

29.9% of institutions

18.6% of banking assets

POINT-IN-TIME · Q2'26

1,284 of 4,296, composite percentile below 30

Exhibit 15 · p11

PERSISTENCE AND VULNERABILITY

Weak-tail persistence

74.6% remained

Difference against watch-zone persistence has not been formally tested

YOY MEMBERSHIP TURNOVER

1,280 in the prior-year tail

Exhibit 15 · p11

Run-vulnerability watch zone

8.1% of institutions

4.7% of banking assets

POINT-IN-TIME · Q2'26

349 of 4,296, weak composite AND relative RVI at or above the 90th percentile

Exhibit 9 · p8

Watch-zone persistence

63.1% remained

38.7% of current members are entrants

YOY MEMBERSHIP TURNOVER

339 in the prior-year zone

Exhibit 10 · p8

BALANCE-SHEET MOVEMENT

Broadest favorable exposure move

75–78% favorable

Securities-loss measures, favorable and claimable in all four asset cohorts

YOY · Q2'25→Q2'26

matched institutions, by cohort

Exhibits 11–12 · p9

No unusual stacking of adverse pressures

25.4% of complete-case banks had three or more adverse balance-sheet movements, against 24.9% expected from the individual family rates.

YoY · Q2'25→Q2'26 · 4,090 institutions reporting all six core families in both periods · Exhibits 13–14 · p10

Every tile summarizes a governed finding already published on p4–p12. No new calculation, threshold, ranking or interpretation originates on this page. Each tile carries its own basis and denominator: year-over-year change, point-in-time cross-section and historical rank appear side by side here, and the populations behind them differ. The weak composite tail and the run-vulnerability watch zone are separate definitions over separate denominators and are not comparable cohorts despite sharing a visual form.

No grade tile and no dashboard composite appear on this page. Grades are peer-relative and their interpretation is governed on p6; constructing a headline index whose only home is this page would add a number the report has not tested.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

Did U.S. banking conditions improve in Q2 2026?

Banking conditions improved year over year in Q2 2026. The composite score distribution shifted upward at every reported percentile, and all four major asset-size cohorts moved in the same direction.

EXHIBIT 1

Composite score distribution, 2025Q2 → 2026Q2



Grey mark is 2025Q2, teal mark is 2026Q2; the connecting band is the shift. Measured on the absolute composite score, not on grades — grades are peer-relative and their distribution is close to fixed by construction, so only the absolute score can show whether the underlying distribution moved. Matched population: 4,286 institutions reporting in both periods.

EXHIBIT 2

Breadth of composite movement



Institutions are classified using the report’s calibrated flat band — the 25th percentile of absolute historical year-over-year change, excluding the reporting period — recomputed at the level being classified (0.0583 for individual banks, from 78,253 bank-quarters). The cohort-level threshold (0.0204) governs cohort aggregates and is not applied to individual institutions: averaging a cohort shrinks dispersion, so using the aggregate threshold bank by bank would mark 90% of institutions as having moved.

COHORT	BANKS	MEAN CHANGE	IMPROVED	FLAT	DETERIORATED	COHORT MOVEMENT
<\$1B	3,289	+0.02017	43.0%	27.0%	29.9%	below threshold
\$1-10B	851	+0.03345	45.8%	27.1%	27.0%	material
\$10-100B	115	+0.05897	50.4%	28.7%	20.9%	material
>\$100B	31	+0.01844	38.7%	25.8%	35.5%	below threshold

TAKEAWAY

Generated from the frozen narrative order

Direction	Banking conditions improved year over year in Q2 2026. The composite score distribution shifted upward at every reported percentile, and all four major asset-size cohorts moved in the same direction.
Breadth	Improvement was the largest single outcome but not a majority: 43.7% of 4,286 matched institutions improved, 29.2% deteriorated and 27.1% were approximately flat. The aggregate move therefore reflects a plurality of institutions moving favorably rather than a broad advance across the population.
Magnitude	Cohort movement met the calibrated materiality threshold for \$1-10B, \$10-100B, and remained below it for the others. The magnitude of improvement differed by size, which sets up materially different category-level drivers beneath the aggregate result.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

This page reports the level and breadth of composite movement only. Category attribution, peer-relative grade migration, movement across the asset-size spectrum and run vulnerability are reported on their own pages.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

What drove banking conditions in Q2 2026?

Banking conditions improved across all four size cohorts year over year, but the sources of improvement differed sharply by bank size — and attribution was materially stronger among smaller institutions than among larger ones.

EXHIBIT 3

Cohort × category driver matrix

COHORT	CAPITALIZATION	ASSET QUALITY	EARNINGS	FUNDING	CONCENTRATION	COMPOSITE
<\$1B	+0.0375 +0.00940 ● N	-0.0705 -0.01725 ●	+0.1365 +0.02041 ●	+0.0290 +0.00582 ●	+0.0116 +0.00173 N	+0.02017 n=3,289
\$1-10B	+0.0685 +0.01710 ●	-0.1061 -0.02624 ●	+0.2023 +0.03034 ●	+0.0583 +0.01164 ●	+0.0041 +0.00062 N	+0.03345 n=851
\$10-100B	+0.0174 +0.00435	+0.0319 +0.00797	+0.2000 +0.03000 ○	+0.0278 +0.00556	+0.0739 +0.01109 ● N	+0.05897 n=115
>\$100B	-0.1183 -0.02957 ● N	+0.1720 +0.04301 ○	+0.1022 +0.01532	-0.0516 -0.01032	+0.0000 +0.00000 N	+0.01844 n=31

● Claimable ○ Diagnostic only N Narrow breadth — moved for <33.3% of banks No marker — no signal

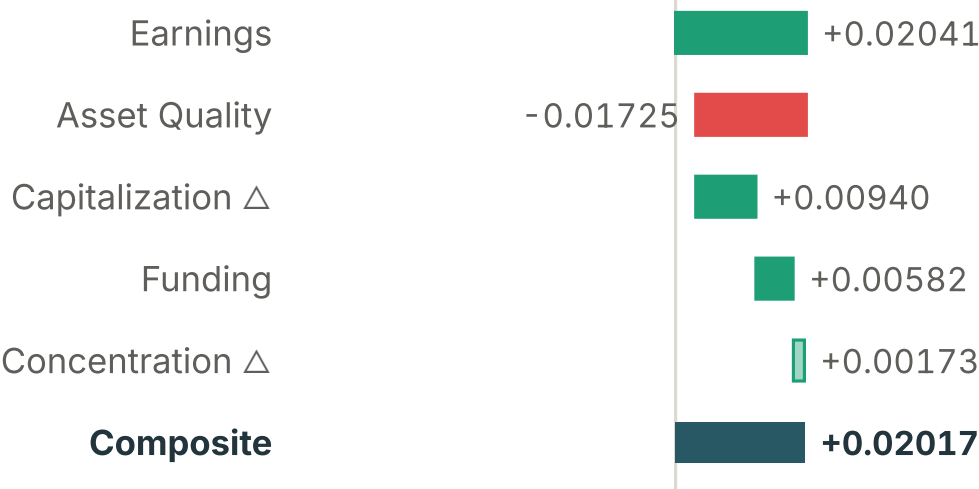
Large figure is the year-over-year change in the category score; small figure is that category's contribution to the cohort's composite change. Breadth measures participation in a category movement, not claimability. Some categories — especially Concentration Risk — are mechanically coarse and therefore move for relatively few banks across all cohorts.

EXHIBIT 4

Contribution to composite change, by cohort

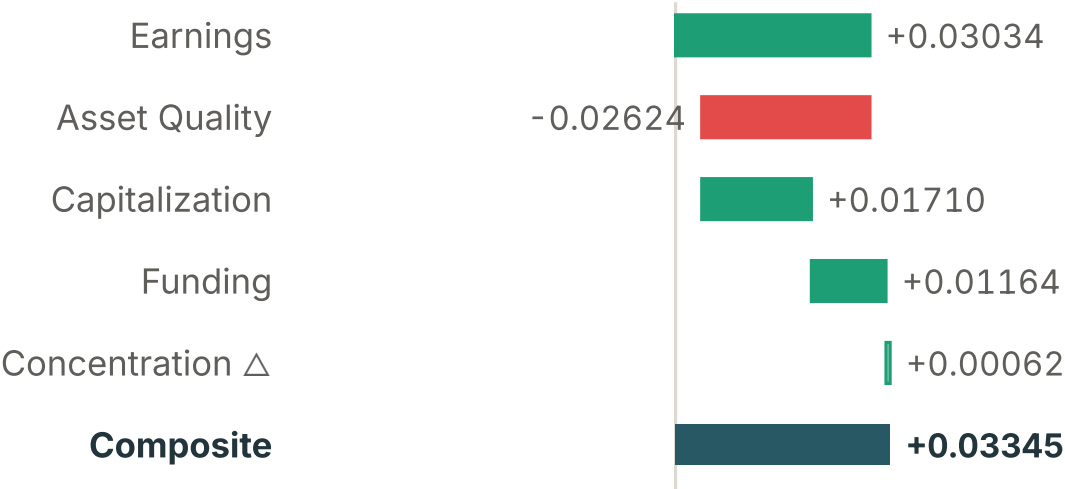
<\$1B

composite +0.02017 · below materiality threshold · n=3,289 · 55.7% improving



\$1-10B

composite +0.03345 · material · n=851 · 58.9% improving



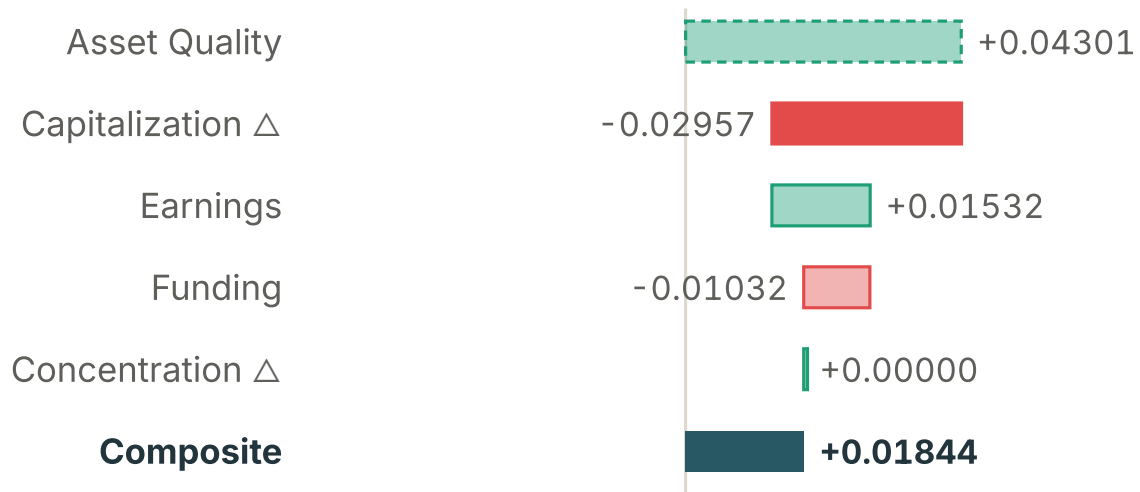
\$10-100B

composite +0.05897 · material · n=115 · 60.9% improving



>\$100B

composite +0.01844 · below materiality threshold · n=31 · 61.3% improving



Bars step cumulatively from zero to the cohort composite. Muted, dashed bars are diagnostic-only contributors — shown rather than hidden, because withholding the largest measured driver without displaying it would let the remaining bars imply a complete explanation. Δ marks narrow breadth.

COHORT TAKEAWAYS

Generated from the frozen selection rule

<\$1B	<\$1B banks improved year over year (+0.02017), but remained just below the calibrated materiality threshold (0.02039, short by 0.00022). Earnings & Profitability broadly strengthened and was the largest contributor that met the report's claim standard (+0.02041). Asset Quality weakened and offset part of the move (-0.01725).
\$1-10B	\$1-10B banks improved materially year over year (+0.03345). Earnings & Profitability broadly strengthened and was the largest contributor that met the report's claim standard (+0.03034). Asset Quality weakened and offset part of the move (-0.02624).
\$10-100B	\$10-100B banks improved materially year over year (+0.05897). Concentration Risk strengthened and was the largest contributor that met the report's claim standard (+0.01109). That movement was concentrated: it affected 19.1% of banks in the cohort, of which 86.4% moved in the same direction. The largest measured contributor was Earnings & Profitability (+0.03000), which is reported as diagnostic only because its movement depends materially on a metric under correction. Largest measured driver withheld as diagnostic only
>\$100B	>\$100B banks improved year over year (+0.01844), but remained just below the calibrated materiality threshold (0.02039, short by 0.00195). Capitalization & Leverage weakened and was the largest contributor that met the report's claim standard (-0.02957). That movement was concentrated: it affected 32.2% of banks in the cohort, of which 90.1% moved in the same direction. The largest measured contributor was Asset Quality (+0.04301), which is reported as diagnostic only because its movement depends materially on a metric under correction. Largest measured driver withheld as diagnostic only

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

How did banks move within the peer-relative grade distribution?

Year-over-year grade migration was broadly balanced, with roughly one-fifth of matched institutions moving in each direction and most migrations reflecting substantive changes in peer-relative position.

EXHIBIT 5
Peer-relative grade migration, 2025Q2 → 2026Q2

57.4% UNCHANGED		21.6% IMPROVED		21.0% DETERIORATED		17.9% OF MOVERS CHANGED 2+ GRADES
2025Q2 →	A	B	C	D	E	ROW TOTAL
A	467 71.6%	147 22.5%	30 4.6%	8 1.2%	0 0.0%	652
B	161 10.7%	961 64.1%	265 17.7%	99 6.6%	14 0.9%	1,500
C	17 2.0%	282 33.1%	345 40.4%	174 20.4%	35 4.1%	853
D	1 0.1%	95 11.1%	201 23.4%	436 50.8%	126 14.7%	859
E	1 0.2%	9 2.1%	17 4.0%	142 33.6%	253 60.0%	422

Denominator: 4,286 matched banks — institutions reporting in both periods, from a 4,477-bank prior population (95.7% matched). Cells show bank count and share of the row. Shaded diagonal = unchanged; green = improved; red = deteriorated. Largest corridors: C→B 282, B→C 265, D→C 201. Cross-zone movement was close to offsetting: A/B→C/D/E 416 against C/D/E→A/B 405.

Boundary proximity. Grades are assigned from the unrounded cohort percentile, so an institution sitting fractions of a point from a cutpoint can change grade on a small move. Banks beginning within one percentile point of a grade boundary were **2.06x as likely** to change grade as other banks (21.4% of movers against 10.4% of non-movers). However, boundary-adjacent movers still shifted a median **12.0 percentile points** — against 4.1 for institutions whose grade did not change — indicating that proximity amplified migration frequency rather than producing trivial rounding-driven changes. These movements are disclosed, not discounted.

EXHIBIT 6

Current peer-relative grade distribution, 2026Q2



Denominator: 4,296 full eligible population — a different denominator from Exhibit 5, which requires two observations per institution. The two are stated separately and never combined. This distribution describes where the population sits within its peer groups today; because the grade bands are defined on cohort percentile, it is not a measure of whether the banking system is historically stronger or weaker.

TAKEAWAY

Generated from the frozen narrative order

Migration	Most banks remained in the same peer-relative grade year over year, while institutions that moved were almost evenly divided between improvement and deterioration. The balance of migration reinforces that BankAtlas grades measure changes in relative standing rather than absolute changes in system-wide banking conditions.
Magnitude	Most movements were one grade, although 326 institutions moved two or more grades, indicating meaningful repositioning within the peer distribution for a material minority of movers.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Grade migration is shown year over year because quarter-over-quarter composite-grade comparison is blocked by the seasonality and construction guard. Grades are peer-relative; migration should not be interpreted as a measure of absolute system-wide improvement or deterioration.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

How did banking conditions differ by asset size?

Improvement was not uniform along the size spectrum. Asset Quality weakened broadly below \$10 billion and reversed above it, while Capitalization moved the opposite way at the largest institutions.

EXHIBIT 7

Year-over-year movement by asset-size reporting band

REPORTING BAND	CAPITALIZATION	ASSET QUALITY	EARNINGS	FUNDING	CONCENTRATION	COMPOSITE
<\$250M within <\$1B	+0.0212 ● N	-0.0863 ●	+0.1143 ○	+0.0158	+0.0034 N	+0.00544 n=1,632
\$250-500M within <\$1B	+0.0448 ● N	-0.0462	+0.1439 ●	+0.0289 ●	+0.0260 ● N	+0.03097 n=922
\$500M-1B within <\$1B	+0.0646 ● N	-0.0674 ●	+0.1765 ●	+0.0588 ●	+0.0116 N	+0.03931 n=735
\$1-3B within \$1-10B	+0.0743 ●	-0.1141 ●	+0.1993 ○	+0.0532 ●	+0.0025 N	+0.03120 n=601
\$3-10B within \$1-10B	+0.0547 ● N	-0.0867 ●	+0.2095 ○	+0.0704 ●	+0.0080 N	+0.03888 n=250
\$10-100B within \$10-100B	+0.0174	+0.0319	+0.2000 ○	+0.0278	+0.0739 ● N	+0.05897 n=115
>\$100B within >\$100B	-0.1183 ● N	+0.1720 ○	+0.1022	-0.0516	+0.0000 N	+0.01844 n=31

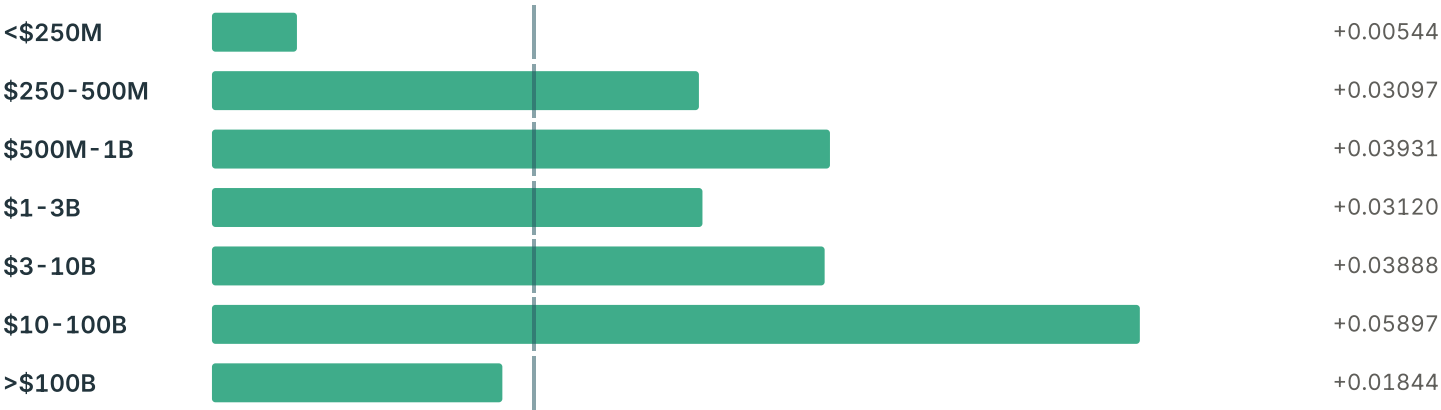
● Claimable ○ Diagnostic only N Narrow breadth No marker — no signal

Cells show the year-over-year change in the absolute category score. Contribution to composite is deliberately not repeated here — it is the subject of Exhibit 1. Bands are **reporting subdivisions nested inside the existing BankAtlas size cohorts**; they do not alter peer-percentile construction, grade assignment or any production scoring cohort, and sub-band counts reconcile exactly to their parent cohort.

Claimability is evaluated independently at each reporting level. A category that is claimable for a broader BankAtlas cohort may be diagnostic-only in a nested size band if defect-affected metrics represent a larger share of that band’s measured contribution. Splitting a cohort does not merely divide its sample; it changes the metric mix inside each band. The 35 band×category tests form their own multiple-testing family and inherit nothing from the cohort-level results.

EXHIBIT 8

Composite movement by asset-size band



Vertical rule marks the calibrated materiality threshold (0.02039). Values close to the rule on either side should not be read as categorically different; the threshold is a calibrated reference, not a cliff.

TAKEAWAYS

Generated from the frozen narrative hierarchy

Asset Quality	Asset Quality deterioration was broad below \$10 billion, appearing as a claimable negative movement in 4 of 5 sub-\$10B reporting bands and reaching its largest decline among banks with \$1-3B in assets (-0.1141). Above \$10 billion the measured direction reversed, although the favorable move among banks above \$100 billion remains diagnostic-only.
Capitalization	Capitalization improved across the smaller and midsize reporting bands but deteriorated among banks above \$100 billion (-0.1183), where the decline was claimable.
Earnings	Measured Earnings improvement was progressively larger across the sub-\$10B size bands, but most band-level Earnings results remain diagnostic-only under the defect-dependence gate.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Sub-band findings do not inherit statistical or defect-dependence status from their parent size cohort. Each of the 35 band×category tests is independently evaluated within this page’s testing family. Absolute measures only: grades, peer percentiles and the run-vulnerability index are excluded, because all three are defined relative to the four production size cohorts.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

Where is relative run vulnerability concentrated?

The watch zone is numerous but asset-light, concentrated among the smallest institutions — and while its size barely moved year over year, more than a third of its members are new.

EXHIBIT 9

Weak fundamentals × elevated relative RVI, 2026Q2

	LOWER RELATIVE RVI	HIGHER RELATIVE RVI — P90+
WEAKER COMPOSITE POSITION	Weaker composite + lower relative RVI 935 21.8% of institutions 14.0% of assets	Weaker composite + higher relative RVI 349 8.1% of institutions 4.7% of assets
STRONGER COMPOSITE POSITION	Stronger composite + lower relative RVI 2,928 68.2% of institutions 79.2% of assets	Stronger composite + higher relative RVI 84 2.0% of institutions 2.2% of assets

Axes use existing BankAtlas production thresholds, not cutoffs selected for this report: **rvi_pctile** >= 90 and **comp_pctile** < 30. Both axes are PERCENTILE-defined positions in a contemporaneous peer distribution, not absolute economic cutoffs. Quadrant boundaries move with the population. Asset share is shown alongside institution count because the share of banks above the RVI P90 line is close to fixed by construction.

Uninsured deposits, within size cohorts. The only balance-sheet measure available that feeds neither leg of the zone definition, so the only one that can describe the zone rather than restate it. It is shown within cohorts, never pooled: 268 of the zone's 349 institutions are below \$1 billion, and that measure is reported by almost none of them, so a pooled figure would be a large-bank statistic presented as covering everyone.

\$1-10B	
Watch zone	20.53%
All others	26.51%
70 of 70 zone banks report	

Reported only for \$1-10B, the sole cohort where both the reporting coverage and the number of watch-zone institutions support a comparison. Suppressed: <\$1B (0.3% cohort coverage, 2 zone banks reporting); \$10-100B (99.2% cohort coverage, 9 zone banks reporting); >\$100B (100.0% cohort coverage, 2 zone banks reporting). Among \$1-10 billion institutions, where uninsured-deposit reporting is sufficiently complete, watch-zone banks show lower median uninsured-deposit reliance than other banks in the same size cohort. **Coverage is insufficient to generalize this relationship to the broader watch-zone population.** Liquidity, core and brokered deposits and unrealized losses are excluded from this comparison because they are inputs to the run-vulnerability index itself, and CRE because it is an input to the composite; reporting them here would restate the zone definition rather than characterize its members.

EXHIBIT 10

Watch-zone membership turnover, 2025Q2 → 2026Q2

Remained in zone		214
Entered		135
Exited		125

Matched population 4,286. Zone size 339 → 349 (+10 institutions). Entry and exit describe movement of institutions across a peer-relative boundary. They do not measure a change in the level of system-wide funding risk.

A stable zone size does not imply stable institutions. The count barely moved, yet 125 institutions left the zone and 135 joined it. Reporting only the size would have described a static picture of a substantially rotating population.

TAKEAWAYS

Generated from the frozen narrative order

Concentration	The zone is numerous but asset-light: 349 institutions, 8.1% of the population, holding 4.7% of banking assets. 268 of 349 hold less than \$1 billion in assets.
Turnover	The size of the peer-relative watch zone was broadly stable year over year, moving from 339 to 349 institutions, but its membership rotated substantially: only 63.1% of the prior-year cohort remained, while 38.7% of the current cohort were new entrants.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

RVI is standardized within peer cohort and quarter. It identifies relative vulnerability at a point in time; aggregate RVI levels are not designed to measure changes in system-wide funding risk through time. Accordingly this report evaluates the composition and turnover of the high-RVI watch zone rather than changes in aggregate RVI. The watch zone is a surveillance cohort — where attention is warranted first — and is not a failure-risk estimate, a forecast, or a list of institutions. No institution is named.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

Where are balance-sheet pressures building?

Securities losses eased broadly across the size spectrum, but credit and concentration pressure rose among smaller banks — and the largest institutions moved differently again.

EXHIBIT 11

Balance-sheet pressure by asset cohort

COHORT	CRE % OF LOANS	NON-PERFORMING LOANS % OF LOANS	LIQUID ASSETS % OF ASSETS	CORE DEPOSITS % OF ASSETS	UNREALIZED LOSSES % OF TANGIBLE EQUITY	EQUITY % OF ASSETS
<\$1B	+0.113 level 40.09 ●	+0.000 level 0.42 ●	-0.092 level 2.06	-0.380 level 76.04 ●	+3.411 level -7.61 ●	+0.548 level 10.62 ●
\$1-10B	+0.340 level 50.10 ●	+0.024 level 0.52 ●	-0.133 level 1.30 ●	+0.200 level 73.83 ●	+2.869 level -7.66 ●	+0.462 level 10.38 ●
\$10-100B	-0.001 level 41.98	+0.002 level 0.66	-0.095 level 1.25	+0.490 level 72.98	+2.337 level -9.09 ●	+0.162 level 11.59
>\$100B	-0.290 level 11.54	-0.071 level 0.84 ●	-0.067 level 5.16	+0.150 level 69.70	+3.122 level -12.45 ●	-0.112 level 9.73

● Claimable No marker — no signal Green = favorable movement, red = adverse, by each measure's own direction

Change is the median of bank-level year-over-year changes and therefore need not equal the difference between the two cross-sectional level medians. Color is set by each measure's frozen direction, so a rise in equity and a rise in CRE are colored oppositely despite both being increases.

What was excluded, and why. CET1 was excluded because the deployed field contains implausible observations and only marginal small-bank coverage; remediation is handled separately from the quarterly-report pipeline. NDFI was excluded on coverage — reported by 14.7% of institutions system-wide and 29.7% even within \$1–10 billion. Uninsured deposits cannot support a system-wide claim and appear only in the separately scoped panel below. Combined unrealized losses are winsorized at the 0.5th and 99.5th percentiles under a rule frozen before results, calibrated on 593,129 historical observations.

EXHIBIT 11 — MEASURE DEFINITIONS

CRE concentration	Commercial real estate loans as a percentage of total loans. Includes owner - occupied CRE.
Non - performing loans	Loans 90+ days past due plus nonaccrual loans, as a percentage of total loans. OREO is excluded.
Liquid assets	Cash and balances due plus U.S. Treasury securities, as a percentage of total assets. Excludes agency MBS and federal funds sold.
Core deposits	Core deposits as reported in UBPR, as a percentage of total assets.
Unrealized securities losses	Combined unrealized securities losses as a percentage of tangible equity, where tangible equity equals total equity less intangible assets. Negative values denote losses.
Equity capital	Total equity as a percentage of total assets.

Presentation basis: Levels are cross-sectional medians. Reported changes are medians of bank-level year-over-year changes; therefore, displayed median levels do not necessarily subtract to the reported median change.

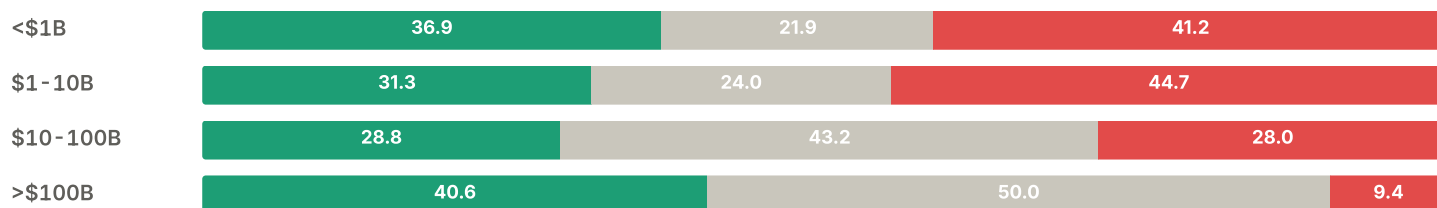
Unrealized securities losses are shown as a negative number. A positive change therefore means the loss moved toward zero — losses shrank. That row divides by tangible equity while the capital row divides by total equity, so the two are not directly comparable.

Full source definitions, field lineage and methodology: bankatlas.com/research/q2-2026-banking-risk-quarterly/definitions

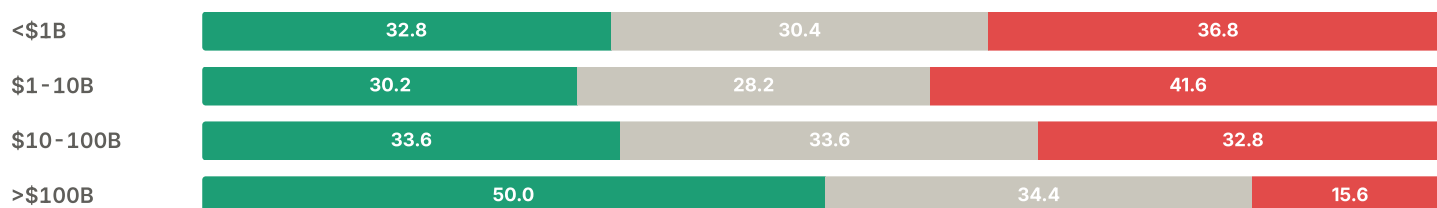
EXHIBIT 12

Breadth of balance-sheet movement

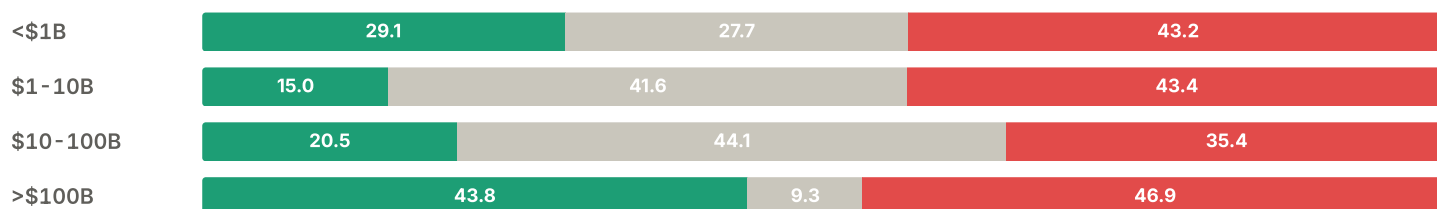
CRE, % of loans



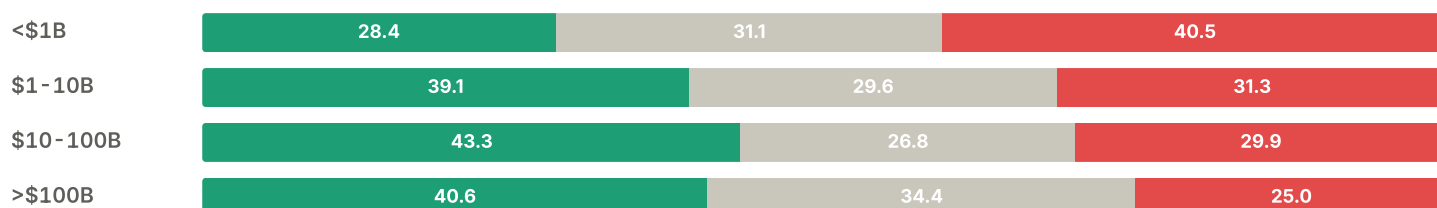
Non-performing loans, % of loans



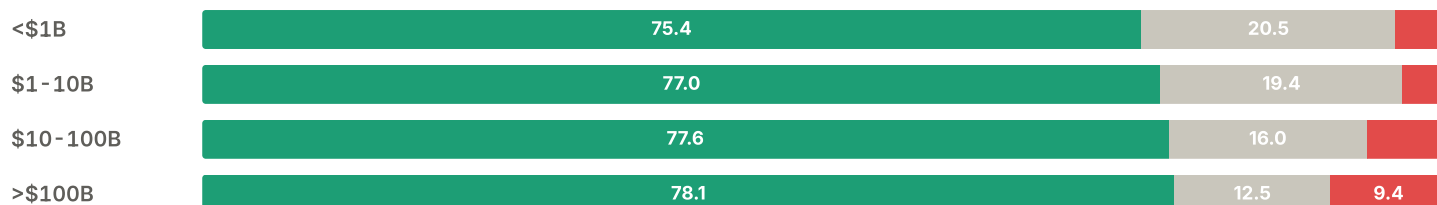
Liquid assets, % of assets



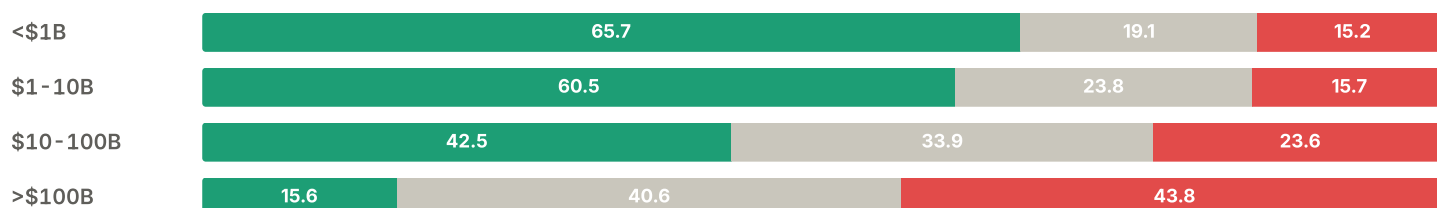
Core deposits, % of assets



Unrealized securities losses, % of tangible equity



Equity, % of assets



● Favorable ● Approximately flat ● Adverse

Share of matched institutions moving favorably, approximately flat, or adversely, using a flat band calibrated per measure from its own historical bank-level year-over-year dispersion, excluding the reporting period.

SUPPLEMENTAL

Selected reporting exposure — banks ≥\$1 billion

Uninsured deposits, % of deposits				
Reporting universe only. Sub-\$1B suppressed: reported by 0.3% of that cohort. Not a system-wide measure.				
COHORT	LEVEL	CHANGE	ADVERSE	STATUS
\$1 - 10B	26.06%	+0.737	47.9%	claimable
\$10 - 100B	31.66%	+0.307	42.1%	no signal
>\$100B	33.13%	+0.896	50.0%	claimable

Uninsured-deposit reliance rose among reporting institutions, adversely for roughly half of banks above \$100 billion. This runs counter to the broader balance-sheet improvement and is shown separately because its reporting population is not the population used elsewhere on this page.

TAKEAWAYS

Generated from the frozen narrative order

Securities Securities losses showed the broadest favorable balance-sheet movement, improving across all four cohorts and for roughly three-quarters of matched banks (75–78% favorable).

Smaller banks Smaller and midsize banks strengthened on capital while non-performing loans and CRE concentration both rose, so the improvement in their balance sheets was not uniform across pressure families.

Largest banks The largest banks diverged sharply on capital, credit quality and CRE exposure, even as securities-loss conditions improved across the size spectrum.

Liquidity Liquidity deteriorated where the evidence supports the claim (\$1-10B); the movement did not meet the claim standard in the other cohorts and is not generalised.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Raw exposure measures were individually tested for seasonal distortion using a scale-free amplitude ratio. All six core measures were eligible for quarter-over-quarter comparison; Issue 1 nevertheless reports year-over-year changes for consistency across the analytical section.

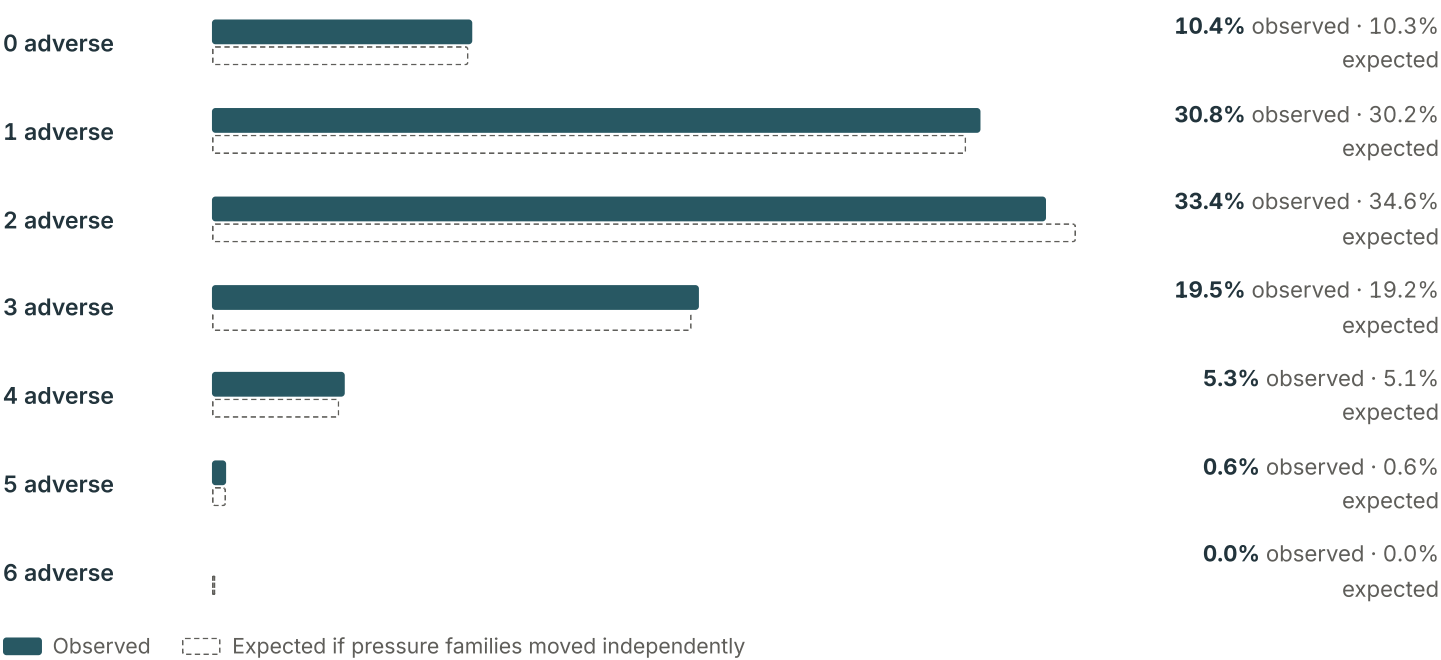
Level figures are distribution medians; the change figure is the median of BANK-LEVEL changes on the matched panel. The two are computed differently and do not subtract: a cohort's median level can fall while the median bank's change is positive. The bank-level change is the reported statistic.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

Did balance-sheet pressures concentrate within the same banks?

We find no evidence that adverse balance-sheet movements accumulated within institutions more frequently than would be expected from the individual pressure-family rates.

EXHIBIT 13
Observed versus independently expected pressure accumulation



25.4%

OBSERVED WITH 3+ ADVERSE

24.9%

EXPECTED IF INDEPENDENT

3.4

CHI-SQUARE, 6 DF

1.21pp

LARGEST CELL DEVIATION

Each bank is scored on how many of the six core pressure families moved adversely year over year, using the same matched panel, the same measure-specific flat bands and the same direction contract as Exhibit 11. No new threshold is introduced and no stress cut-off is defined. The expected distribution is the Poisson-binomial implied by each family's own observed adverse rate — what the count would look like if the families moved independently within institutions.

Why this comparison is necessary. Four of the six families moved adversely for roughly 40% of banks. At those rates an average count near 1.8, and a quarter of banks showing three or more adverse families, is what arithmetic alone produces. Publishing the distribution without the independent benchmark would present the underlying prevalence back to the reader as though it were a concentration result.

EXHIBIT 14

Pressure accumulation by asset cohort

COHORT	BANKS	MEAN ADVERSE	3+ OBSERVED	3+ EXPECTED	CHI-SQUARE
<\$1B	3,113	1.82	25.9%	25.5%	6.5
\$1-10B	832	1.79	25.4%	24.2%	3.1
\$10-100B	114	1.54	15.8%	17.4%	3.2
>\$100B	31	1.45	16.1%	14.2%	1.5

The benchmark is rebuilt within each cohort from that cohort’s own six adverse rates, so unequal rates across sizes cannot create or mask apparent dependence in the pooled figure. Every cohort fits its own benchmark: the largest chi-square is 6.5 against a 5% critical value of 12.59 at 6 degrees of freedom. Percentage-point cell deviations are scale-dependent and are reported for transparency only. In \$10-100B, >\$100B a single institution shifts a share by several points, so the chi-square, which carries the sample size, decides.

TAKEAWAY

Generated from the frozen narrative order

Dispersion	Balance-sheet deterioration was dispersed rather than unusually concentrated within a subset of institutions. Although 25.4% of complete-case banks experienced adverse movement in three or more of the six core pressure families, an independent benchmark based on the observed family-level rates predicts 24.9%. The frequency of multi-family deterioration therefore appears consistent with the underlying prevalence of individual pressures rather than excess within-bank accumulation.
Size	Differences in average pressure counts across bank sizes are explained by differences in the underlying family-level adverse rates, not by greater within-bank stacking of pressures.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Computed on a complete-case population of 4,090 institutions — 95.4% of the matched panel, with every size cohort above 94.6% — because a family that is simply unreported must never be counted as “no pressure”. Uninsured deposits is excluded from the count: its reporting universe differs, so including it would mechanically give \$1B-plus banks an extra opportunity to accumulate pressure that sub-\$1B banks cannot have.

An adverse count measures simultaneous DETERIORATION, not current distress. A bank may worsen on several measures while still holding strong absolute levels, so this page reports pressure accumulation and never describes these institutions as distressed or high-risk.

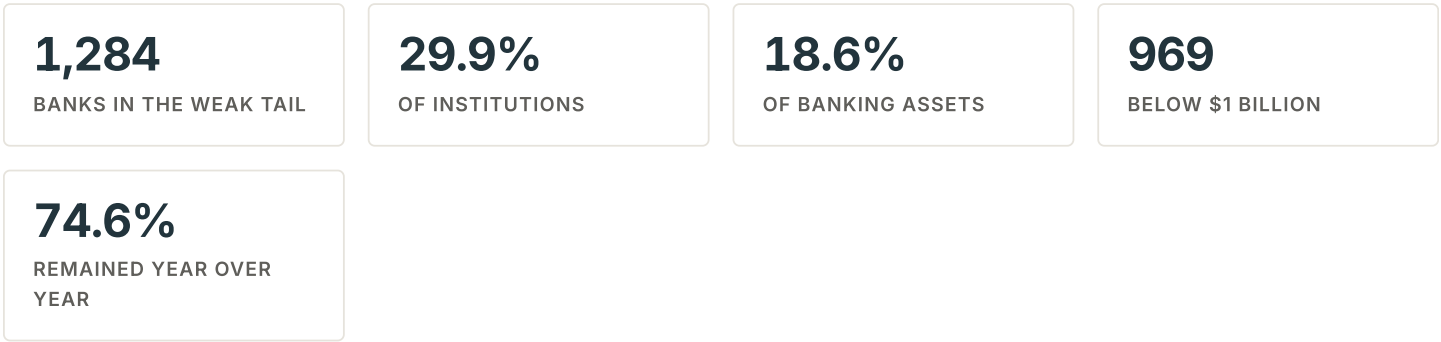
Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

What characterizes the weakest part of the distribution?

The weak tail is institution-heavy but asset-light, persistent from one year to the next, and distinguished by how it funds itself rather than by the exposures that define its grade.

EXHIBIT 15

How large — and how persistent — is the weak end of the distribution?



Tail defined by **comp_pctile < 30**, the production A–E banding cutpoint separating D/E — a position in a contemporaneous peer distribution, not an absolute economic threshold. Membership moved from 1,280 to 1,284 institutions. Entry and exit describe movement across a peer-relative boundary. A bank can cross because it changed, because its peers changed, or both. Grade composition (D 856, E 428) is descriptive metadata only: the percentile rule *is* the D/E boundary, so the mix is derived rather than evidence.

Weak standing is not the same as acute run vulnerability. 349 institutions — 27.2% of the weak tail — also met the elevated-relative-RVI criterion. Roughly three-quarters of the weak composite tail does not simultaneously sit in that watch zone, so the two populations answer different surveillance questions and should not be read as one cohort.

EXHIBIT 16

Independent funding characteristics of the weak tail

Core deposits, % of assets

COHORT	WEAK TAIL	ALL OTHERS	TAIL BANKS
<\$1B	72.77	77.02	969
\$1-10B	67.65	76.65	268
\$10-100B	67.74	75.82	38
>\$100B	<i>suppressed — only 9 banks in this cohort's tail, below the minimum of 20</i>		

Cost of deposits, %

COHORT	WEAK TAIL	ALL OTHERS	TAIL BANKS
<\$1B	2.47	2.11	966
\$1-10B	2.68	2.27	268
\$10-100B	2.59	2.26	38
>\$100B	<i>suppressed — only 9 banks in this cohort's tail, below the minimum of 20</i>		

Uninsured deposits, % of deposits

COHORT	WEAK TAIL	ALL OTHERS	TAIL BANKS
<\$1B	<i>suppressed — cohort reporting coverage below 50%</i>		
\$1-10B	23.24	27.70	258
\$10-100B	30.30	32.39	38
>\$100B	<i>suppressed — only 9 banks in this cohort's tail, below the minimum of 20</i>		

Compared within size cohort, never pooled, because the tail is 75% sub-\$1B and several of these measures vary strongly with size. Suppressed cells name the gate that failed rather than appearing blank.

Descriptors are screened against the composite definition before use. Measures contributing to the BankAtlas composite are treated as definitional and are not presented as independent characteristics of the weak tail — describing the tail by the exposures that defined it would restate the definition rather than characterize its members. Excluded on that basis: CRE, % of loans, Non-performing loans, %, Liquid assets, % of assets, Equity, % of assets. Neither core-deposit reliance nor deposit cost enters the composite, so both are genuine independent evidence.

TAKEAWAYS

Generated from the frozen narrative order

Character

Weak composite standing is persistent but is not synonymous with acute run vulnerability. The weak tail is disproportionately composed of smaller institutions — 29.9% of banks holding 18.6% of assets — and is independently associated with lower core-deposit funding and higher deposit costs, while only 27.2% also falls into the elevated-relative-RVI watch zone.

Persistence

Weak composite standing was more persistent year over year than elevated relative run vulnerability: 74.6% of the weak-tail cohort remained in the tail, against 63.1% persistence in the RVI watch zone. The difference between these rates has not been formally tested.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

The tail is the weak end of a peer distribution. Nothing here is a failure prediction, and no institution is named. Historical failure validation is reported in the validation record, not here, and no characteristic on this page is presented as predictive.

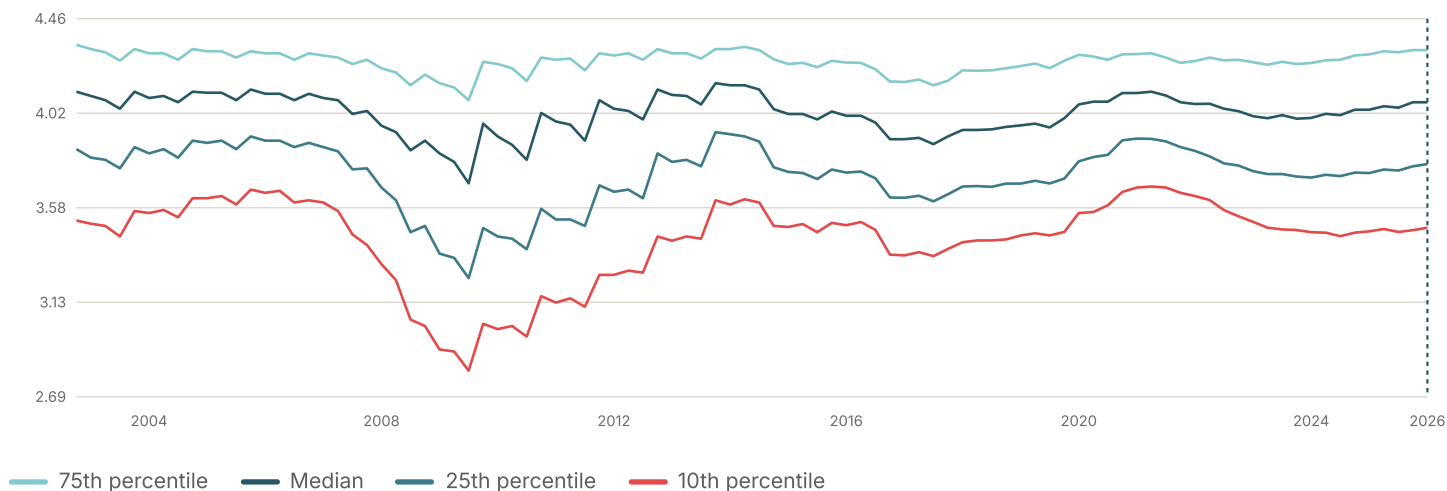
Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

How unusual are current banking conditions historically?

Conditions sit above the historical middle, but the system's strength is concentrated among stronger institutions — the weakest decile remains close to its historical norm.

EXHIBIT 17

BankAtlas composite conditions through time, 2003Q1–2026Q2

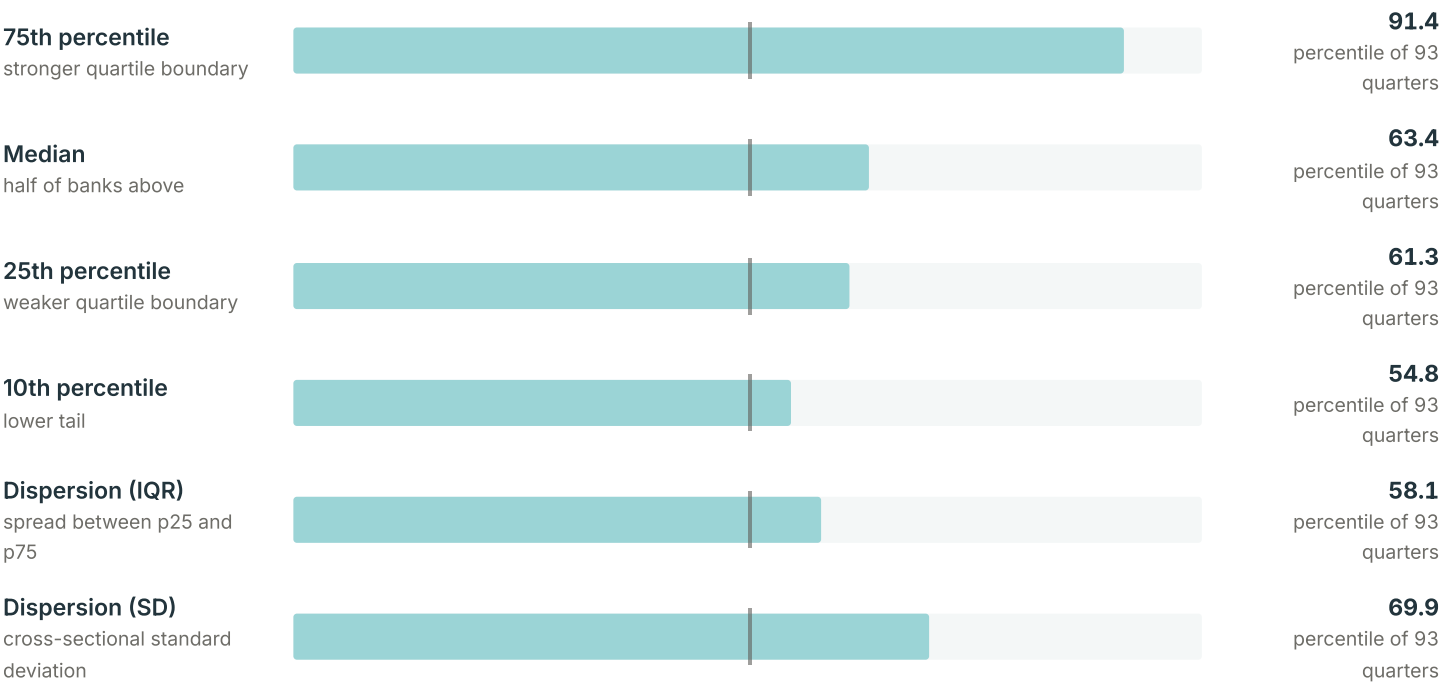


Higher score = stronger. Absolute composite score only; grade shares and aggregate run-vulnerability are excluded because both are defined against a contemporaneous peer distribution, so a historical rank of either would measure the construction rather than the banking system. Dashed line marks the reporting quarter.

One model across the whole series. The composite was solved separately within five eras of the current panel and returns identical weights each time (0.2500 / 0.2500 / 0.2000 / 0.1500 / 0.1500, $R^2 = 1.000000$, maximum spread $1.3e-13$). The history is therefore a single-pass backcast under the current methodology, not corrected recent quarters spliced onto legacy scores.

EXHIBIT 18

Where does Q2 2026 sit in its own history?



Each bar is the share of the 93 prior quarters falling below the current reading; the vertical rule marks the historical midpoint. The scored population ranges from 4,296 to 8,445 institutions across the series and stands at 4,296 today — the bank population has roughly halved since 2003 through consolidation, so a historical comparison spans a shrinking and changing population, not a fixed panel of institutions.

Weakest quarters on record

QUARTER	MEDIAN COMPOSITE	BANKS SCORED
2009Q4	3.6900	7,321
2009Q3	3.7900	7,393
2010Q4	3.8000	6,999
2009Q2	3.8300	7,476
2008Q4	3.8450	7,568
2010Q3	3.8700	7,094

Listed because they emerged from the series, not selected in advance: the six lowest median readings in 94 quarters all fall in 2008–2010. They are shown for scale only. Nothing here equates the current environment with those periods, and no future outcome is inferred from historical similarity.

TAKEAWAYS

Generated from the frozen narrative order

Level	Current banking conditions sit above the historical middle but not at an extreme: the Q2 2026 median composite score of 4.0700 stands at the 63.4th percentile of 93 quarterly observations since 2003.
Tail	Q2 improvement was broad across the score distribution year over year, but the system's historical strength is concentrated among stronger institutions. The upper quartile stands near the top decile of its post-2003 history (91.4th percentile), while the weakest decile remains close to its historical middle (54.8th).
Dispersion	Cross-sectional dispersion is somewhat wider than usual — the interquartile range sits at the 58.1th percentile and the standard deviation at the 69.9th — consistent with the stronger end advancing further than the weaker end.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

Absolute Composite_Score only. Grade shares and aggregate RVI are excluded: both are banded or standardized against a contemporaneous peer distribution, so a historical rank of either would measure the construction rather than the banking system. Higher score = stronger.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

What this report will re-test in Q3

Each finding published in this issue is registered here with the conditions that would confirm or overturn it — fixed now, before the next quarter's data exists.

8 findings carried forward to Issue 2

RT-01 **Asset Quality deterioration below \$10 billion**

Negative and claimable in 4 of 5 sub-\$10B reporting bands; largest decline \$1-3B (-0.1141).

Issue 2 will test whether: Does the deterioration persist on the same year-over-year basis?

PERSISTS IF Same adverse sign in a majority of sub-\$10B bands and the claim standard cleared.	REVERSES IF Sign turns favorable in a majority of sub-\$10B bands and the claim standard cleared.
---	--

Exhibit 7 (p7) · basis: YoY, same-quarter

RT-02 **Capital divergence by size**

Positive in every band below \$100B; -0.1183 and claimable at >\$100B.

Issue 2 will test whether: Does the sign difference between the smaller bands and >\$100B remain?

PERSISTS IF Opposite signs retained between sub-\$100B bands and >\$100B, with the >\$100B result claimable.	REVERSES IF Signs align across the size spectrum, or the >\$100B sign turns positive and clears.
---	--

Exhibits 3-4, 7 (p5, p7) · basis: YoY, same-quarter

RT-03 **Broad securities-loss recovery**

Favorable and claimable in all four cohorts; 75-78% of banks favorable.

Issue 2 will test whether: Does the improvement persist, or normalize toward no movement?

PERSISTS IF Favorable and claimable in a majority of cohorts with breadth above half.	REVERSES IF Adverse and claimable in a majority of cohorts.
--	--

Exhibits 11-12 (p9) · basis: YoY, same-quarter

RT-04

Uninsured-deposit pressure, reporting universe only

Rising and claimable in \$1-10B, >\$100B; adverse for 50.0% of banks above \$100B.

Issue 2 will test whether: Does the increase persist WITHIN the reporting universe?

PERSISTS IF Adverse and claimable in at least one reportable cohort, reported only for institutions of \$1 billion or more.	REVERSES IF Favorable and claimable in the reportable cohorts.
--	---

Never generalised to the full system. Sub-\$1B reporting coverage is 0.3%, so a system-wide statement is not available at any confidence.

p9 supplemental · basis: YoY, institutions >= \$1B only

RT-05

Run-vulnerability watch-zone rotation

63.1% of the prior-year zone remained; 135 entered and 125 exited on a near-stable zone size.

Issue 2 will test whether: Does membership continue to rotate at a similar rate?

PERSISTS IF Persistence within roughly ten points of the current rate, with entry and exit of comparable scale.	REVERSES IF Persistence moves materially, or zone size changes while turnover collapses.
--	---

Membership turnover only. Aggregate RVI level is never re-tested: it is standardized within cohort and quarter and carries no through-time meaning.

Exhibit 10 (p8) · basis: YoY membership, peer-relative

RT-06

Weak-tail persistence

74.6% of the weak composite tail remained; 27.2% of the tail also met the elevated-relative-RVI criterion.

Issue 2 will test whether: Does tail persistence hold, and does its overlap with the watch zone change?

PERSISTS IF Persistence within roughly ten points of the current rate.	REVERSES IF Persistence falls materially, indicating the weak tail has become a rotating rather than a stable population.
---	--

Exhibits 15-16 (p11) · basis: YoY membership, peer-relative

RT-07

No excess multi-family pressure concentration

25.4% of complete-case banks showed three or more adverse families against 24.9% expected under independence (chi-square 3.4 on 6 df).

Issue 2 will test whether: Does Q3 produce genuine excess stacking?

PERSISTS IF Observed distribution again indistinguishable from the independent benchmark, within cohort as well as pooled.	REVERSES IF Observed 3+ share exceeds the independent benchmark by more than the goodness-of-fit test tolerates.
---	---

The benchmark is rebuilt from Q3's OWN marginal rates. Re-using this quarter's expectation would test the wrong hypothesis.

Exhibits 13-14 (p10) · basis: YoY, complete case

RT-08

Historical distribution divergence

Upper quartile at the 91.4th percentile of its post-2003 history against 54.8th for the weakest decile; dispersion at the 58.1th.

Issue 2 will test whether: Does the lower tail close the gap, or does dispersion widen further?

PERSISTS IF The gap between the upper-quartile and lower-decile historical ranks remains of similar width.	REVERSES IF The lower-decile rank rises toward the upper-quartile rank, or dispersion falls back to its historical middle.
---	---

Absolute composite score only. Grade shares are never used for a historical claim.

Exhibits 17-18 (p12) · basis: Absolute score, 94-quarter history

SHARED OUTCOMES

Applied identically to every row

NO SIGNAL The measure does not clear the report's claim standard in Q3. Recorded as no signal, not as a reversal: failing to detect a movement is not evidence that the movement stopped.	NOT COMPARABLE The comparison is ruled inadmissible in Q3 — by the seasonality and construction guard, by a coverage failure, or by a change in the reporting universe. Recorded as not comparable and excluded from the persistence record rather than forced onto a different basis.
--	---

Stating these once prevents a row from quietly defining persistence differently from its neighbour, and keeps a failure to detect movement from being recorded as evidence that movement stopped.

Methodology: Changes shown year over year, Q2 2025 to Q2 2026. Only statistically supported results passing the BankAtlas claimability gate are described as findings. Diagnostic-only results may be displayed for completeness but are not treated as validated drivers. See Methodology appendix.

A re-test registry, not an outlook. Each row states what Issue 2 will test and fixes in advance what would count as persistence or reversal, so next quarter's narrative cannot be chosen after seeing next quarter's data. Every row reads 'Issue 2 will test whether'. No row reads 'we expect'. Nothing on this page is a forecast.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.

Methodology, definitions and disclosures

The controls governing every claim in this issue, in the order a reader would need them: what the data is, how a result becomes a finding, what the measures cannot say, what was transformed or excluded, and what makes the history comparable.

CONTENTS

20 controls in 5 sections

DATA AND COMPARISON BASIS • Authoritative source and vintage • Comparison basis • Score direction • Population and matching • Cohort assignment • Reporting coverage requirement	STATISTICAL CONTROLS • Claim standard • Materiality calibration • Breadth • Directional consistency • Attribution and reconciliation	MODEL AND REPORTING CONTROLS • Defect dependence and diagnostic-only results • Reporting subdivisions versus production peer groups • Peer-relative measures and what they cannot say • Definitional screening of descriptors • Exhibit selection
TRANSFORMATIONS AND EXCLUSIONS • Winsorization • Excluded measures	HISTORICAL COMPARABILITY • Historical comparability and the lineage test • Changing bank population	

CONTROLS

DATA AND COMPARISON BASIS

Authoritative source and vintage	All analytical values derive from the accepted quarterly panel produced by the BankAtlas pipeline for the reporting vintage, together with the deployed history dataset. Intermediates are bound to that source by provenance stamp, and a consumer refuses to run against an intermediate built from a different one, so a page cannot silently report a prior model's numbers as current.
Comparison basis	Category movement and composite change are measured year over year, Q2 2025 to Q2 2026. Quarter-over-quarter composite comparisons are excluded: several contributing metrics are year-to-date flows whose quarter-of-year position creates movement that is an artifact of the calendar rather than of bank condition. Same-quarter year-over-year comparison neutralizes that.
Score direction	A higher BankAtlas score indicates greater strength. A positive change is an improvement. This is the opposite convention to supervisory-style scales where higher numbers denote greater risk.
Population and matching	All change figures use the matched set: institutions reporting in both the current and prior-year period. Bank-level change is computed first and cohort aggregates second, so that entries and exits cannot appear as economic movement.
Cohort assignment	Size cohorts are assigned once, on the prior period, and held fixed across the comparison. Assigning on the current period instead would let banks that grew across a cohort boundary re-bucket mid-comparison, changing cohort composition while appearing to change cohort condition.
Reporting coverage requirement	A measure is reported for a group only where enough institutions in that group actually report it: at least half the cohort, and at least twenty reporting institutions in the subgroup described. This is a REPORTABILITY requirement, not a significance threshold, and it binds before the statistical and defect gates — a gate cannot adjudicate a quantity that was never measured. Suppressed cells name the requirement they failed rather than appearing blank.

STATISTICAL CONTROLS

Claim standard	A result is described as a finding only if it passes the report's cross-sectional signal gate, with Benjamini-Hochberg false-discovery-rate control at 5% applied across the family of cohort-category tests, and then passes a defect-dependence check. The panel is the population of reporting institutions rather than a sample, so probabilities are reported as nominal.
-----------------------	--

Materiality calibration	The threshold separating material from immaterial composite movement is calibrated as the 25th percentile of absolute historical cohort year-over-year composite change, excluding the reporting period so that a quarter cannot contribute to the standard by which it is judged. The threshold is provisional.
Breadth	Breadth is the share of matched institutions whose category score moved at all. It measures participation, not claimability, and is reported separately from magnitude for that reason. A movement affecting fewer than one third of a cohort is marked narrow and is not described using breadth language. Some categories are mechanically coarse: Concentration Risk takes only a handful of distinct values across the panel and is unchanged year over year for most institutions in every cohort, so its narrow breadth is a property of the measure rather than a finding about any size group.
Directional consistency	Among institutions that did move, the share moving in the same direction as the cohort mean. It separates a narrow movement in which nearly all participants moved the same way from a narrow movement in which they did not; these are different evidence and are not summarized by breadth alone.
Attribution and reconciliation	Category contributions are stated in composite space and reconcile exactly to the cohort composite change, together with an availability term capturing the effect of categories not reported by every institution.
MODEL AND REPORTING CONTROLS	
Defect dependence and diagnostic-only results	Where a movement depends materially on a metric under correction, it is reported as diagnostic only: displayed for completeness, never treated as a validated driver, and never used to lead a finding. Diagnostic-only contributors are shown in the exhibits rather than removed, because omitting the largest measured contributor would let the remaining components imply a complete attribution the evidence does not support.
Reporting subdivisions versus production peer groups	BankAtlas has four production size cohorts, and those alone govern peer-percentile construction, grade assignment and run-vulnerability standardization. Finer asset bands used in one exhibit are REPORTING SUBDIVISIONS nested inside those cohorts: they change nothing in the model, their counts reconcile exactly to their parent cohort, and they are used only for absolute measures. Statistical results are evaluated independently at each reporting level and are never inherited from a parent cohort to a sub-band.
Peer-relative measures and what they cannot say	Grades are banded on cohort percentile against fixed cutpoints, and the run-vulnerability index is standardized within cohort and quarter. Both therefore describe position within a contemporaneous peer distribution, not an absolute level. Grade migration measures repositioning, never system-wide deterioration or improvement; aggregate run-vulnerability levels and the roughly one-in-ten share above its upper threshold are fixed by construction and are never presented as a time series. Where a page needs a through-time statement it uses the absolute composite score.

Definitional screening of descriptors

Before a measure is used to characterize a cohort, it is screened against every leg of that cohort's definition. A measure feeding the definition is marked definitional and may be displayed for context but never presented as independent evidence, because describing a cohort by the quantity that defined it restates the definition. The screen is run by name matching, which is a DISCOVERY step and not an adjudication: every candidate match is read before it is accepted. Three matches in this issue were false — a CRE screen catching Credit_Stress_over_Assets, a deposit cost screen catching Cost_to_Income, and an HTM screen catching a differently constructed losses ratio. Where a match is genuinely ambiguous the measure is held definitional, since over-inclusion is the damaging error and exclusion costs only a descriptor.

Exhibit selection

Selection rules were fixed before the exhibits were produced. Each cohort leads with its largest contributor meeting the claim standard; where the largest measured contributor does not meet it, that fact is disclosed rather than omitted.

TRANSFORMATIONS AND EXCLUSIONS

Winsorization

Where a ratio can be destabilized by a near-zero denominator, levels are clipped at the 0.5th and 99.5th percentiles under a rule frozen before results and calibrated on the measure's full available history. Changes are derived from winsorized levels, the clipped share is recorded, and the raw median is retained alongside so that a finding existing only after clipping remains visible.

Excluded measures

CET1 was excluded from Issue 1 because the deployed field contains implausible observations and only marginal small-bank coverage; remediation is being handled separately from the quarterly-report pipeline. This is a data-quality exclusion, not solely a coverage limitation. NDFI was excluded on coverage alone. Uninsured deposits are reported only for institutions of \$1 billion or more, where reporting is sufficiently complete, and never pooled into a system-wide figure.

HISTORICAL COMPARABILITY

Historical comparability and the lineage test

A historical rank is meaningful only if every quarter was scored by the same model. The composite was therefore solved separately within five eras of the current panel and returns identical category weights in each, with a maximum spread of the order of 1e-13 and an exact fit. The history is a single-pass backcast under the current methodology rather than corrected recent quarters spliced onto legacy scores. The test is re-run on every build and fails the build rather than being asserted once.

Changing bank population

The number of institutions scored falls by roughly half across the historical series through consolidation. A historical comparison therefore spans a shrinking and changing population rather than a fixed panel, and the scored count is carried for every quarter so a reader can see the population behind any historical statement.

THIS ISSUE

Pages and exhibits

PAGE	CONTENTS	EXHIBITS
p1	Improvement, Unevenly Distributed	—
p2	Executive Summary	—
p3	Q2 2026 Banking Risk Dashboard	—
p4	Did U.S. Banking Conditions Improve in Q2 2026?	Exhibits 1–2
p5	What Drove Banking Conditions in Q2 2026?	Exhibits 3–4
p6	How Did Banks Move Within the Peer - Relative Grade Distribution?	Exhibits 5–6
p7	How Did Banking Conditions Differ by Asset Size?	Exhibits 7–8
p8	Where Is Relative Run Vulnerability Concentrated?	Exhibits 9–10
p9	Where Are Balance - Sheet Pressures Building?	Exhibits 11–12
p10	Did Balance - Sheet Pressures Concentrate Within the Same Banks?	Exhibits 13–14
p11	What Characterizes the Weakest Part of the Distribution?	Exhibits 15–16
p12	How Unusual Are Current Banking Conditions Historically?	Exhibits 17–18
p13	What This Report Will Re - Test in Q3	—
p14	Methodology, Definitions & Disclosures	—

Exhibit numbers run in one sequence across the issue. Numbering is final.

DISCLOSURE

BankAtlas grades and analytical measures are proprietary risk measures, not credit ratings or investment recommendations. Historical relationships and backtested results do not predict the outcome of any individual institution.

Source: BankAtlas, FDIC Call Report data. Data through Q2 2026. BankAtlas grades and scores are proprietary analytical measures and are not credit ratings.