



# Banking CFO Insights

A concise reference to help bank CFOs navigate today's environment

June 2026

## 2Q themes and key takeaways

1

**Capital markets strength is not a cost strategy.** Strong capital markets revenues are helping banks post resilient earnings. But they don't solve the structural challenge facing CFOs: how to modernize without permanently lifting the expense base. The market may welcome near-term revenue momentum, but it wants evidence that growth is being converted into operating leverage.

2

**Macro questions crowded out the cost debate; they did not end it.** In 1Q calls, analysts focused on macro conditions, credit quality, capital markets revenue, and more. That reflects the quarter's uncertainty, but not a new tolerance for higher run-rate expenses. The operating and modernizing cost issue is still critical, even when the call agenda centers on near-term durability.

3

**Capital allocation moves from planning cycle to decision engine.** Slow, periodic capital strategy exercises are outmoded. Rate shifts, private credit, market volatility and balance sheet tradeoffs move quickly. CFOs need more granular, faster capital intelligence linking client, product and portfolio decisions directly to pricing, origination, RWA forecasting and stress planning.

## Gravitational pull of cost discipline

Bank earnings are resilient, helped by growing capital markets revenues. But that tailwind shouldn't be mistaken for a softening of investor expectations around costs. CFOs are being challenged to modernize the institution without allowing expenses to reset higher due to "unavoidable" spending. Investors and boards want evidence that revenue growth is translating into operating leverage and that management can fund modernization through productivity, not simply through more revenue.

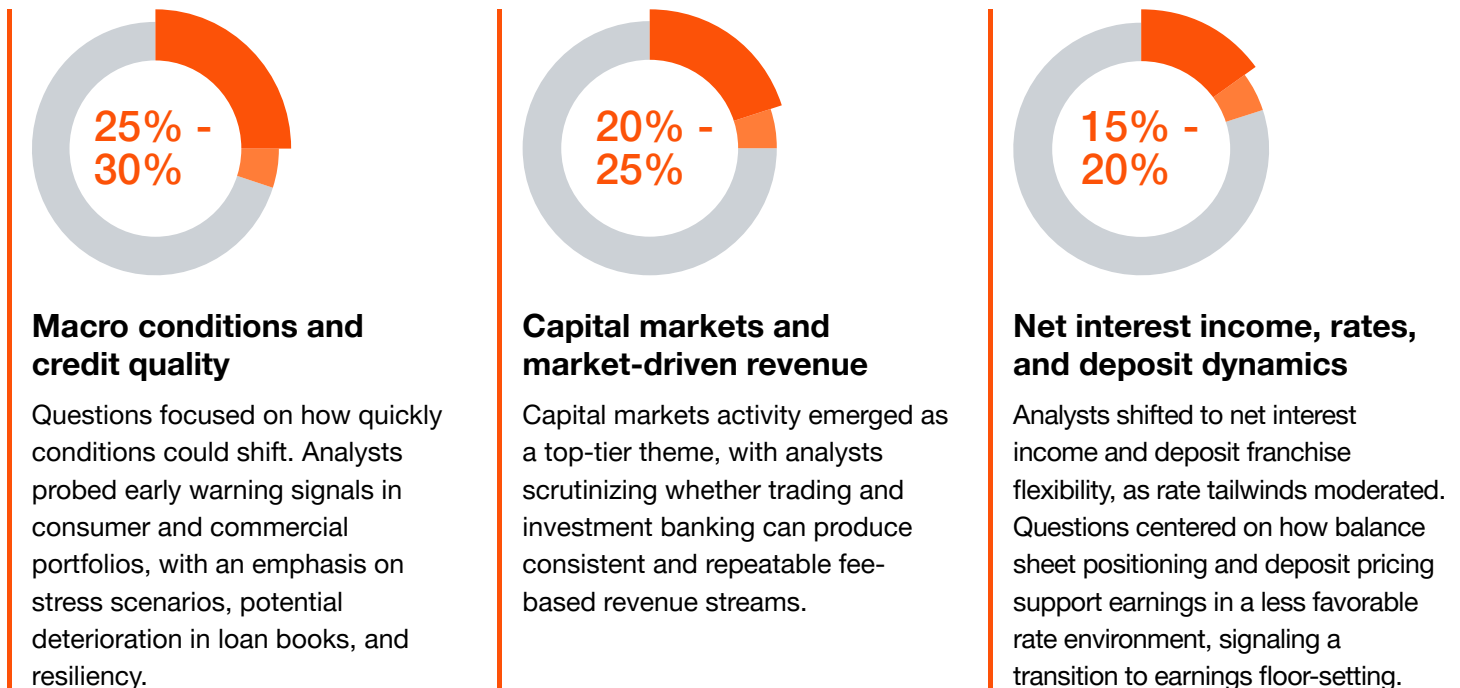
That means CFOs must fund the next round of investment from the existing cost base before the current earnings window narrows. Technology, data, cyber, risk, and AI are increasingly non-discretionary spending, but the market is unlikely to reward long-duration investment unless it's self-funding and produces measurable efficiency gains. The challenge now is to use today's earnings to reshape the cost curve before the cycle turns. Early movers may convert productivity into reinvestment capacity and more defensible returns; laggards can try to delay the cost conversation, but at the cost of facing more urgent action in the future.

## Earnings scrutiny shifts to durability of performance

PwC's analysis of 1Q earnings calls from more than 20 large and regional US banks shows a material shift in analyst focus versus 4Q. The dialogue now is questioning the durability of near-term results amid a murkier macro backdrop, geopolitics, and the sustainability of capital market-driven revenue. In 4Q, questions centered more on the structure of bank business models, including how AI, modernization, and operating model change could affect the cost of running the bank. That shift should be interpreted carefully. The timing of 1Q calls happened when market volatility and geopolitical risk was front and center.

The cost question hasn't gone away; it was temporarily crowded out by more immediate questions about credit, capital markets revenue, net interest income, and downside scenarios. From a stock market perspective, stronger performers were still those with more credible operating leverage and a clearer path to durable earnings.

### 1Q earnings calls



Source: PwC analysis

To shore up earnings, banks can reprice for quality by shifting balance sheet growth toward higher spread, higher-return lending, and client activity. Tighter management of deposit mix, hedging, and asset-sensitivity can also help as yield curve support fades. CFOs will also want to refresh their downside scenarios by retesting NII, capital, credit, and activity under flatter curve and multiple interest rate scenarios. And they'll need to strengthen intervention readiness with upgraded early-warning tools, reserve governance, and portfolio actions where stresses could build.

## Technology, AI and strategic investment

Pointed earnings call questions about AI receded. Instead, tech-related queries occurred as part of discussions of expenses and how computing infrastructure is improving operational performance and cost discipline. Institutions are tackling transformation on a project-by-project basis, but their goal is a complete overhaul that upgrades data handling, cloud computing, core systems, ledgers, and UI/UX.

To activate real-time information and use more data to guide decisions, banking systems need to connect data from across the enterprise. A critical project is **reengineering how data is owned, governed, and activated**. This means balancing centralized reporting functions and business-aligned data ownership under shared enterprise standards. To help offset modernization expenses, banks should investigate how recent tax law changes that allow for current deductions of certain costs could affect their technology ROI. That change is in addition to the R&D tax credit, which many banks use to optimize their IT budget.

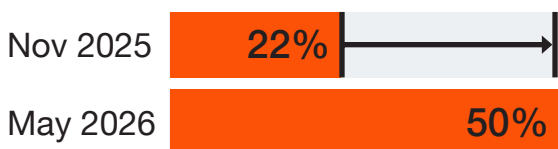
# Spotlight topic: Capital allocation, balance sheet strategy, and tooling

Capital planning is shifting in multiple directions at once, affected by economic conditions, rates, and Basel III Endgame. Helpfully, new technology tools can enable banks to respond quickly. For CFOs and their teams, the rest of this year is about building an effective analytical infrastructure.

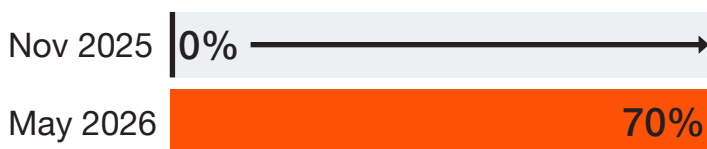
The most consequential near-term decisions relate to new regulatory options. Proposed capital rule changes offer relief, but also create competitive wedges depending on business mix, risk profile, and strategic direction. For some, the question is whether to opt into the Expanded Risk-Based Approach. For others, the question is whether internal models for market risk yield better-calibrated capital requirements that offset the costs of maintaining such models. These decisions will affect how institutions gauge the attractiveness of clients, products, and businesses.

The Federal Reserve's May Financial Stability Report illustrates how quickly things change. Respondents citing private credit as a salient risk jumped to 50% from 22% in the prior report, while oil shock risk went from unmentioned to 70%. Annual or semiannual planning cycles are too slow in the current era.

## Increasing risk of a private credit shock



## Soaring risk of an oil price shock



\*Note: Showing percent of responses to the question: Over the next 12–18 months, which shocks, if realized, do you think would have the greatest negative impact on the functioning of the U.S. financial system?

Source: Federal Reserve; Financial Stability Report May 2026

In response, institutions should enhance speed, using AI-driven analysis and intelligence to compress the gap between risk signal and capital decision. Value will come from granular views of capital intensity changes at the client, product, portfolio, and business-line level. Those views should connect directly to pricing, origination, balance sheet limits, RWA forecasting, and stress capital planning.

To keep pace, AI and automation can help banks **identify the low-hanging-fruit in the capital planning process** and drive toward an innovative culture within the capital management team.

## On the horizon

### Several issues are building that may shape the CFO agenda in coming quarters

**Private credit** may be wounded by provocative headlines about soaring fund redemptions and software lending stress. But it's not an industry in retreat. **PwC's survey of more than 120 credit portfolio managers** finds that over 80% expect to receive increased allocations over the next 12 months. As for credit stress, just 16% are concerned or very concerned about an increase in private-credit-related defaults/restructurings over the next one to two years. The findings present a complicated picture to bank CFOs thinking through the optimal use of the balance sheet to lend to companies versus lending to private credit funds and BDCs as updated capital rules provide relief. Each deal will require a choice: compete on loan terms to retain the client relationship or choose to partner with the private credit manager. For more, see **How banks can compete and work with private credit.**



**Finance transformation** is accelerating as AI companies roll out agentic tools to automate knowledge work. The roadblock to greater AI use in finance, however, is internal systems that limit the tools that make it into the CFO's office. In our experience, finance practitioners are eager to build productivity-enhancing workflows. Yet the tools day-to-day finance managers can currently access are insufficient, often limited to basic AI models and chatbot features. CFO office innovation will be slow until practitioners get access to tools that enable experimentation—such as coding agents and agent development. **Recent announcements** of finance-focused tools that can address those needs presage a move to an AI native finance function (See how your ERP can help **accelerate your AI in Finance** progress). The goal goes beyond task automation toward an agentic operating model that can execute complex work, collaborate across workflows, and support faster, insight-driven decisions.

**Year-end budgeting** is becoming a test of whether CFOs are funding the future operating model or merely preserving the current one. AI, automation, and modern data infrastructure are becoming the price of admission for faster, leaner, more resilient operations. The challenge is that these investments often follow a “J-curve”—costs, complexity, and organizational disruption show up before productivity increases. The temptation is to delay or dilute your ROI target, or worse, demand ROI that the business can't produce yet. Underinvesting in AI, however, may be the greatest risk. CFOs should distinguish hype from essentials and sequence investments with discipline based on measuring progress towards a financial return based on speed, accuracy, risk reduction, capacity creation, and decision quality. Budgeting for AI as a tool upgrade misses the point; it's an operating foundation where advantage is created.



### Closing thought

**First quarter results confirm the banking sector's strong momentum. Yet market expectations remain high, and CFOs need to lead decisively through a host of competing forces: growth, funding, credit, investment, and regulation. This is not a moment for passive response or vague strategies. The market expects unwavering consistency, rigorous cost discipline, and clear proof that performance will endure regardless of changing conditions.**

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