BTRM

The Certificate
of Bank Treasury
Risk Management

# CCAR 2025: Dissecting the Dispersion in Credit Card Losses and Capital Defense Among the Top 5 U.S. Issuers

BTRM Working Paper Series #24

Madhavi Ananth
BTRM Cohort 21 Student

July 2025

# CCAR 2025: Dissecting the Dispersion in Credit Card Losses and Capital Defense Among the Top 5 U.S. Issuers

***Madhavi Ananth***
*Credit strategist, Amazon. BTRM Student*
*July 2025*

## Abstract

This research article analyzes how business model structure, credit tier exposure, and earnings efficiency drove divergence in CCAR 2025 stress outcomes for JPMorgan Chase, Citigroup, Bank of America, Capital One, and American Express.

**Key Words:** CCAR 2025 Credit card stress testing, Capital resilience, Pre-provision net revenue (PPNR), Credit risk dispersion, Top 5 U.S. card issuers

## 1. Introduction

The Federal Reserve's 2025 severely adverse scenario applied a standardized macroeconomic shock—but the impact across the top five U.S. credit card issuers was highly differentiated.

JPMorgan Chase, Citigroup, Bank of America, Capital One, and American Express all maintained regulatory capital above minimum thresholds. But the dispersion in stress outcomes—credit card loss rates ranging from 9.7% to 23.4%, CET1 ratio declines exceeding 400 basis points, and wide variability in pre-provision net revenue (PPNR) coverage—was both material and instructive.

This article focuses on the structural and financial drivers of that divergence. It evaluates:

- How differences in portfolio composition and customer credit tiering shaped loss projections;
- Why the quality and stability of PPNR—whether fee-based, scale-diversified, or margin-reliant—proved critical in offsetting credit impairment;
- And what the resulting PPNR-to-loss coverage ratios reveal about each issuer's capacity to internally absorb consumer credit stress without drawing down capital buffers.

CCAR 2025 made clear that resilience in the credit card sector is not a function of balance sheet size, but of structural alignment. Portfolio design—prime versus subprime, charge versus revolve—was the defining variable. The real question wasn't who remained above the line, but how they did it—and what it cost.

## 2. The U.S. Credit Card Industry: Structure and Strategic Positioning (Snapshot as of December 2024)

As of December 2024—the balance sheet reference date for the 2025 Federal Reserve stress test—the U.S. credit card industry accounted for approximately $1.3 trillion in outstanding balances, with over $1 trillion of that held by banks. The market remains highly concentrated, with the top five issuers—JPMorgan Chase, Bank of America, Citigroup, Capital One, and American Express—controlling close to 65% of total industry receivables.

Despite operating in the same macroeconomic environment, these firms entered the stress test with fundamentally different business models, customer segments, and credit risk profiles. Before examining how those differences translated into stress performance, it's worth taking a step back to assess the strategic design of each card franchise.

### JPMorgan Chase

JPMorgan maintains the largest credit card platform by receivables and integrates it within a full-service retail and commercial banking ecosystem. The portfolio is predominantly prime and super-prime, supported by proprietary cards and deep relationships across deposits, mortgage, and wealth. The business is volume- and relationship-driven, not margin-led. Card earnings are part of a broader PPNR engine that provides natural diversification under stress. Underwriting is consistent with a large-bank risk posture—optimized for scale, liquidity, and capital efficiency.

### Capital One

Capital One is the only top-five issuer where credit cards constitute the central operating and risk platform. As a monoline lender with limited fee-based diversification, the firm's economics are tightly linked to the performance of its revolver-heavy, higher-yielding card book. The portfolio skews toward near-prime and subprime borrowers, with growth sourced through direct digital origination rather than internal cross-sell. As of December 2024, Capital One had one of the highest concentrations of unsecured consumer credit relative to risk-based capital among large U.S. institutions.

## American Express

Amex runs a closed-loop, super-prime-centric model distinguished from bank peers in both funding and risk exposure. A significant portion of its balances stem from charge products, where revolve behavior and loss severity are structurally lower. Revenue is weighted toward annual fees, merchant discount, and cardmember spend, rather than interest income. The firm's underwriting is anchored in affluent, high-FICO borrowers, and delinquency rates are consistently the lowest in the industry. This model produces stable, fee-heavy earnings with lower credit provisioning needs—even in downturns.

## Bank of America

BofA's card portfolio is integrated into its mass-affluent retail banking franchise, emphasizing relationship-based origination and cross-product engagement. The portfolio is largely prime, with moderate revolve behavior and low exposure to high-risk tiers. The business is margin-accretive but not standalone—credit cards function as a complementary asset to drive customer retention, deposits, and loan growth. BofA's risk posture reflects its broader retail strategy: measured growth, conservative underwriting, and high internal funding stability.

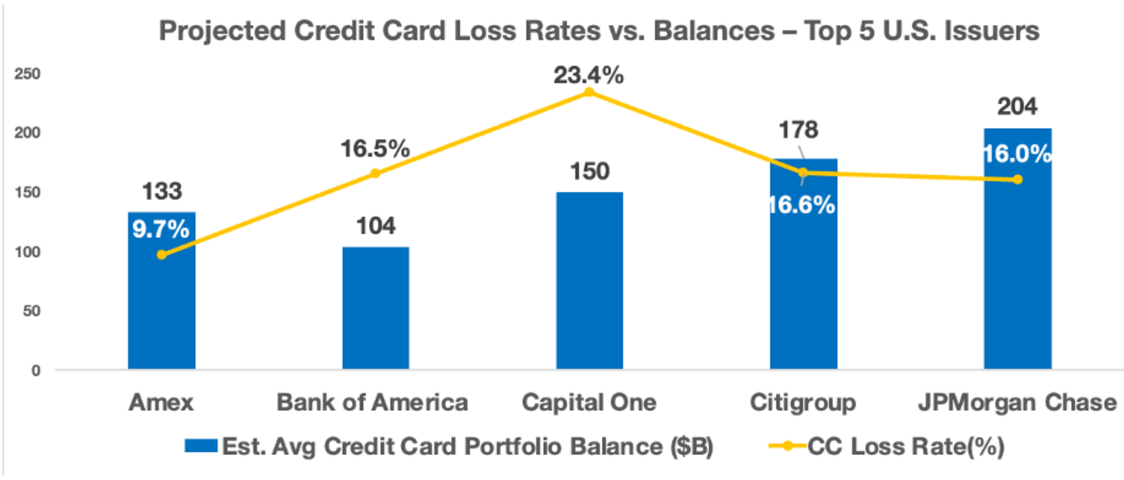
## Citigroup

Citi's card business includes a mix of domestic branded, co-brand, and international portfolios. The U.S. book is largely prime, but less concentrated than peers due to exposure to co-brand partners and legacy accounts. Citi maintains meaningful international card exposure—which was outside the scope of the CCAR 2025 results but remains relevant for overall credit risk. Within the U.S., Citi's card strategy emphasizes partnership economics and scale, but faces efficiency drag from geographic sprawl and higher cost-to-serve dynamics.

Together, these five firms accounted for the majority of outstanding card receivables as of December 2024, but they arrived at that position through fundamentally different paths—in how they source customers, manage credit risk, and monetize card relationships. These structural distinctions shaped their baseline exposure heading into CCAR 2025 and frame the dispersion in outcomes that followed.

## 3. Top 5 U.S. Card Issuers: Credit Card Loss Rates Under CCAR 2025

The 2025 CCAR highlighted sharp divergence in projected credit card loss outcomes across the five largest U.S. issuers—underscoring that portfolio structure, not portfolio size, was the primary driver of risk exposure under stress.




*Source: 2025 Federal Reserve Stress Test Results and Author's Analysis*

- **Capital One** recorded the highest projected card loss rate at 23.4%, with a portfolio heavily weighted toward near-prime and subprime revolving balances. The result translated into an estimated $35 billion in projected card losses, the highest absolute loss among peers—reflecting both concentration risk and elevated loss severity.

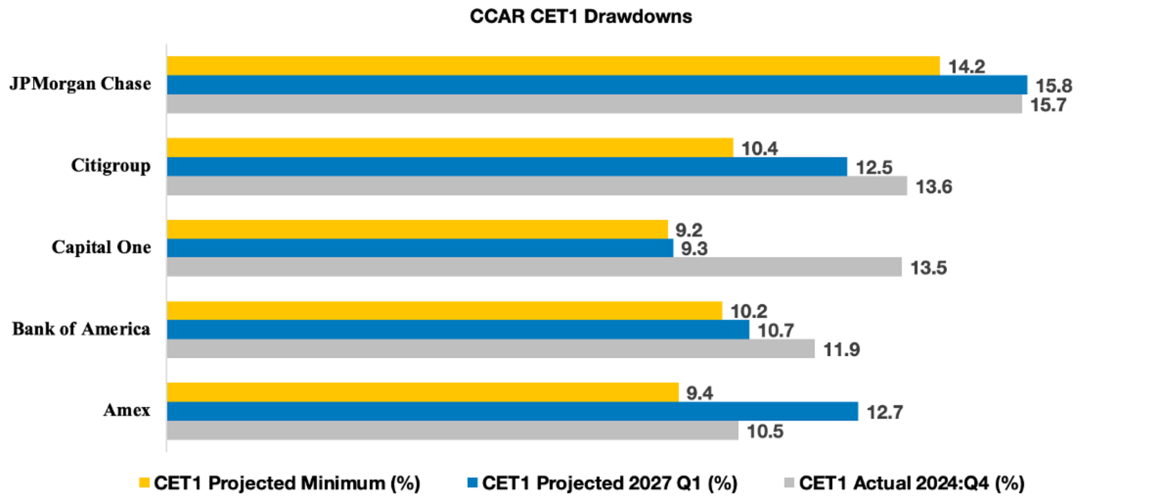
- **American Express**, in contrast, reported the lowest loss rate at 9.7% on a $133B portfolio. The result reflects Amex's super-prime customer base, high share of charge card exposure, and limited reliance on revolving credit—yielding structurally lower delinquency and default risk.

- **JPMorgan Chase**, despite operating the largest book among the five issuers, held projected card losses to 16.0%—indicative of disciplined credit tiering and scale-managed risk.

- **Citigroup and Bank of America** reported loss rates of 16.6% and 16.5%, respectively—both in line with the industry average. Their results suggest moderate exposure to revolving balances, combined with largely prime credit tiers and traditional bank underwriting frameworks.

These results reinforce that portfolio mix—prime vs. subprime, charge vs. revolve—was the key variable in stress performance, not asset volume alone. The divergence in loss rates reflects fundamental differences in risk strategy, customer segmentation, and credit appetite heading into the scenario.

## 4. Capital Erosion in Focus: Ranking CET1 Resilience Across the Top 5 U.S. Card Issuers




*Source: 2025 Federal Reserve Stress Test Results and Author's Analysis*

While all five institutions remained above the 4.5% minimum CET1 threshold under CCAR 2025, the degree of capital erosion varied materially—driven by differences in loss exposure, earnings absorption capacity, and portfolio design.

**Capital One** experienced the most significant decline in capital, with its CET1 ratio falling over 400 basis points, from 13.5% to 9.2%. This reflects the firm's concentrated exposure to unsecured consumer credit and elevated loss severity, with less earnings diversification to absorb the impact.

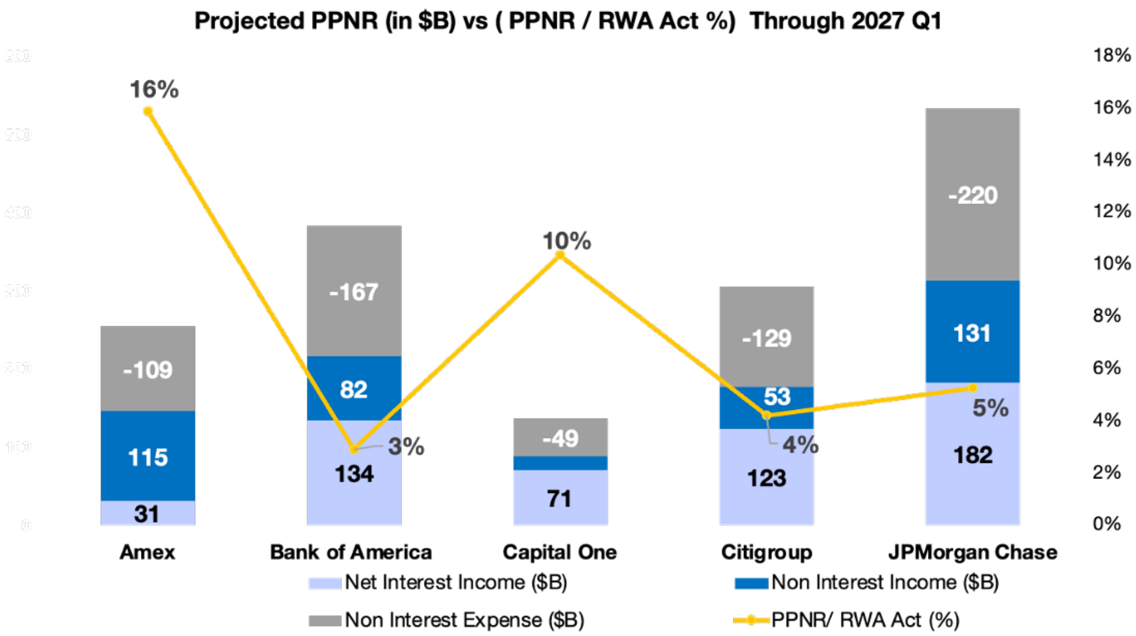
**Citigroup and Bank of America** showed moderate capital drawdowns, with CET1 floors projected at 10.4% and 10.2%, respectively. These results are consistent with their balanced exposure to revolving credit and diversified earnings streams across business lines.

**JPMorgan Chase** demonstrated strong capital resilience, with its CET1 ratio projected to bottom at 14.2%, down only modestly from 15.8%. Its performance reflects disciplined underwriting and a large, diversified PPNR base capable of absorbing stress without material capital depletion.

**American Express** was the only issuer whose CET1 ratio increased under stress, rising from 9.4% to 12.7%. This result underscores the strength of its super-prime portfolio, low loss rates, and high-margin, fee-driven earnings model.

The spread in capital drawdowns is not simply a function of headline credit losses—it reflects deeper differences in earnings durability, credit mix, and structural risk design. CET1 outcomes under stress offer a forward-looking view of which firms are positioned to absorb shocks internally—and which may be more sensitive to shifts in consumer credit conditions.

## 5. The PPNR Gap: Why Some Banks Absorb Stress Better Than Others




*Source: 2025 Federal Reserve Stress Test Results and Author's Analysis*

**Pre-provision net revenue (PPNR)** remains a bank's first line of defense in stress scenarios. Under CCAR 2025, the dispersion in PPNR-to-RWA efficiency across the top five U.S. card issuers was striking—and decisive in determining who absorbed credit losses internally and who leaned on capital buffers.

**American Express** led with a 16% PPNR/RWA, reflecting its structurally efficient model anchored in fee-based revenue, high-spend super-prime clients, and low credit costs. This best-in-class margin profile helped Amex generate positive capital accretion under stress—an outlier among peers.

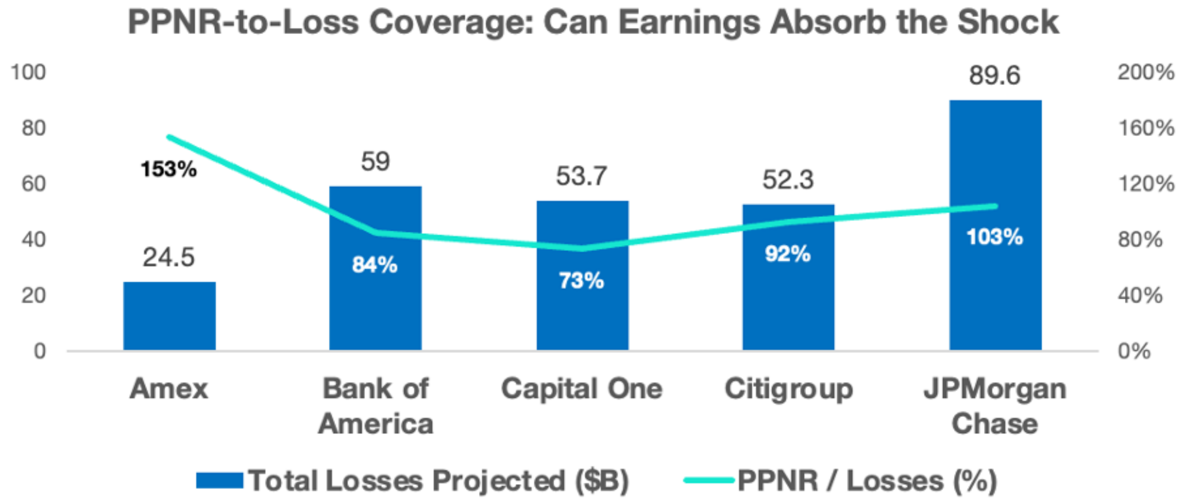
**Capital One** delivered 10% PPNR/RWA, driven by strong net interest margins on its card book. While exposed to higher loss rates, its margin-rich model provided meaningful earnings absorption—even as overall capital levels declined.
**JPMorgan Chase** generated $93B in cumulative PPNR, equivalent to 5% of RWA. This result reflects the stabilizing role of diversified revenue streams—including retail banking, corporate lending, and asset management—which helped offset credit losses despite higher organizational complexity.

**Citigroup** reported a solid revenue mix, but its PPNR/RWA of 4% was diluted by global operational sprawl and relatively high cost-to-serve across geographies. The firm's loss coverage capacity was adequate, but less efficient than peers.

**Bank of America** generated high absolute PPNR ($134B), but its PPNR/RWA efficiency ratio of just 3% highlights elevated fixed costs and operational drag. Despite strong franchise value, the firm's ability to internally offset stress was more constrained.

These results highlight that earnings quality—not just quantity—matters under stress. Efficiency, margin composition, and revenue diversity each played a critical role in determining how well losses were absorbed—and which firms required capital to close the gap.

## 6. Earnings Shield or Capital Drain? PPNR Coverage of Stress Losses in CCAR 2025




*Source: 2025 Federal Reserve Stress Test Results and Author's Analysis*

While capital ratios draw attention, it is **pre-provision net revenue (PPNR)** that determines whether losses are absorbed by earnings or erode capital. In CCAR 2025, PPNR-to-loss coverage ratios varied sharply across the top five U.S. card issuers, offering a clear lens into which firms monetized resilience—and which were exposed.

**American Express** led the group with 153% PPNR-to-loss coverage, generating significantly more in pre-provision earnings than it lost. This surplus not only fully offset projected losses, but resulted in net income under stress and a CET1 ratio increase—a direct function of Amex's low loss rates, super-prime exposure, and fee-heavy business model.

**JPMorgan Chase** delivered a 103% coverage ratio, effectively matching losses with PPNR. This performance underscores the strength of its diversified, multi-line PPNR base, which includes substantial contributions from non-card business lines. JPM was able to defend capital without materially altering its loss profile.

**Citigroup and Bank of America** covered 92% and 84% of losses, respectively—solid outcomes, but not sufficient to avoid CET1 drawdowns. These figures reflect their stable, if less margin-rich, portfolios and more moderate operating efficiency relative to top peers.

**Capital One** reported the lowest earnings coverage ratio at 73%, with projected losses outpacing PPNR. This gap reflects its reliance on interest income from higher-risk consumer segments, and its limited ability to offset stress via fee income or business line diversification.

These results reinforce a core principle of stress testing: PPNR is the buffer of first resort. In a downturn, banks that align earnings power with credit exposure will be best positioned to defend capital without triggering downstream constraints on lending, dividends, or risk appetite.

## 7. CCAR 2025: What Drove Dispersion Across the Top 5 U.S. Card Issuers

The outcomes of CCAR 2025 were shaped less by regulatory thresholds and more by structural positioning. Differences in credit mix, revenue model, and risk concentration translated into wide dispersion in credit losses, capital drawdowns, and earnings coverage.

**JPMorgan Chase** – The Diversified Buffer Broad-based PPNR ($92.7B) and consistent risk discipline limited capital impact despite a 16% card loss rate. CET1 declined modestly (15.7% → 14.2%), demonstrating how scale and revenue diversity can insulate against stress.

**Citigroup** – Global Card Exposure Faced $29.6B in card losses (17.3%) on a globally diversified book. With PPNR covering ~92% of losses, capital buffers remained intact (CET1 projected floor: 10.4%). Efficiency lagged peers, but structural resilience held.

**Bank of America** – Balanced and Steady Losses totaled $59B, including $17B in card losses (16.5%). Strong dollar PPNR ($49.6B) helped contain the CET1 decline (−170 bps), supported by a broad, stable U.S. retail and commercial franchise.

**Capital One** – High Yield Exposure Loss rate of 23.4% was highest in group, with PPNR covering just 73% of total losses. CET1 fell 430 bps, reflecting elevated credit risk concentration and a reliance on spread income from subprime segments.

**American Express** – Earnings-Led Resilience Losses were lowest (<10%) and PPNR-to-loss coverage was strongest (153%). CET1 increased (9.4% → 12.7%)—the only issuer to show net capital improvement. Model proved highly resilient due to fee-based, super-prime focus.

The divergence in outcomes was structural, not incidental. CCAR 2025 showed that resilience is not about clearing the bar—it's about how credit, earnings, and capital interact under stress. The spread in results reflects the fundamental tradeoffs each issuer makes in portfolio design and business model.

## 8. Beyond Compliance: What CCAR 2025 Signals for Strategy

As stress testing continues to evolve from a regulatory exercise into a tool of strategic differentiation, CCAR 2025 offers critical insights into how business models, earnings quality, and portfolio design shape resilience—both in downturns and in forward capital planning.

**Earnings resilience is the most capital-efficient defense.** In this year's results, institutions with stable, fee-driven, or diversified PPNR were able to internally absorb losses without material CET1 drawdown. Amex and JPMorgan demonstrated that when pre-provision income is structurally aligned with risk exposure, the need to draw on capital buffers is minimized. This underscores a broader shift: reliance on capital should be a last resort, not a default.

**Credit performance under stress reflects upstream structural choices.** The wide range in projected loss rates—from 9.7% to 23.4%—was not random. It mapped directly to underwriting discipline, customer tiering, and portfolio construction. Institutions with high-revolve, near-prime exposure saw elevated loss severity, while those with prime-focused, spend-centric models preserved asset quality. In this sense, loss outcomes are a lagging indicator of strategic clarity.

**Model design matters—but alignment is decisive.** Both diversified banks (e.g., JPMorgan) and focused platforms (e.g., Amex, Capital One) delivered strong results—if their revenue structure, cost base, and credit risk were properly aligned. Capital One's earnings were robust, but insufficient to fully absorb losses, revealing the margin-risk tradeoff inherent in high-yield models. In contrast, Amex's fee-heavy strategy aligned tightly with its low-risk exposure. Strategy without alignment magnifies stress sensitivity.

**CET1 outcomes are no longer just compliance markers—they shape future optionality.** Differences in capital erosion under CCAR will directly impact Stress Capital Buffer (SCB) calibration, dividend capacity, and capital return strategies. Institutions with narrower drawdowns retain more flexibility—those with deeper erosion face binding capital constraints. The stress test has become a forward-looking signal of balance sheet agility, with implications for growth, distribution, and investor confidence.

**Bottom line: CCAR 2025 showed that resilience is not about clearing a threshold**—it's about how earnings, credit risk, and capital interact under pressure. The institutions that internalize this lesson will be better positioned not just to defend capital, but to deploy it—strategically, sustainably, and ahead of the cycle.

## 9. References:


*2025 Federal Reserve Stress Test Results*


***Authored beneath the carved ceilings of the New York Public Library's Stephen A. Schwarzman Building****, this work is a study in structural resilience—both financial and institutional. Where marble holds history, balance sheets hold risk. Only through design—disciplined, intentional, aligned—does either endure.*


*Inscription above the entrance to the Rose Main Reading Room, New York Public Library: "A good Booke is the precious lifeblood of a master spirit…" —John Milton*