Global Banks

CoreWeave: Capital at risk for global banks?

As we outlined in our note (Global IBs: Signs of late cycle IB balance sheet expansion), US banks in particular have been expanding leverage exposure aggressively, partly due to the AI financing boom. AI capex funding is now in focus following the concerns and repricing of CoreWeave's senior unsecured debt to a c15% yield and market cap loss of c25% over the last week. This reflects market concerns on the Group's large and growing c$52bn debt load (incl. c$16bn leases) on equity of c$5bn at c10x leverage as of June-26. From the perspective of financing banks, **we view bank exposures to CoreWeave as well managed and very well secured** with a focus on secured SPVs (c$24bn exposure including c$15bn drawn and c$9bn undrawn) rather than parent senior unsecured debt of c$21bn (o.w. c$11bn converts), with SPV-based debt primarily structured through delayed draw term loans (DDTLs) and capital only released on project milestones, and limited credit exposure to Parent revolvers ($2.5bn commitment) based on latest available information.

In the short-term, we focus on the functioning of the AI-related HY market for capital access. Once issuance terms have tightened and higher yields have settled, we expect a refocus on the supply of financing needs, including potentially more equity. Across the longer term,we see 3 key risks to focus on for the banking sector, with respect to debt and wider exposures: 1) counterparty risk in SPVs as not all are backed by Hyperscalers, and cashflow mismatch from c$130bn of remaining performance obligations (RPOs) as contractual revenue against front-loaded capex, driving negative free cash flow for CoreWeave until 2030, as per our JPM Equity analyst; 2) operational delivery on projects given societal opposition, delays and power challenges which create risks of revenue realisation (as seen with Oracle's force majeure on Blue Owl); 3) wider spillover risk which could challenge HY issuance and extend towards a) overall IB revenues including ECM and Equity trading, whereby Tech ECM represented c30% of ECM activity roughly YTD and the highest level in 10+ years, and b) risk across the wider AI sector into credit and the broader credit spillover considering the interconnectedness and economic gearing. Our JPM Credit strategists expect the yield reset to drive tighter AI-credit terms going forward alongside a stronger emphasis of equity in the capital stack - as seen with CoreWeave's recent $4.2bn equity convertible issuance. We view this as rational for the fast-expanding AI market where project level returns (unlevered IRR) of about mid-teens continue to exceed the total cost of capital.

- **Exposures across banks:** Assessing CoreWeave's key facilities, we find that recent DDTLs have focused on IB syndication. US IBs are highly involved in the market, while we find European players (BARC, DB, BBVA, SocGen, CASA) also involved alongside Asian players (MUFG, Mizuho), more surprisingly. Based on the number of deals the banks have been involved in and a traditional 10-15% holding in the syndicated loan, we estimate the majority of banks to have <$0.5bn exposure , while the large US IBs alongside MUFG are likely to have potentially more at c$1-3bn, largely in DDTLs, in our view. We note that these are simplistic assumptions and banks provide limited, if any, credit or revenue disclosure to the AI-cycle.
- **Delayed draw term loans (DDTLs) offer attractive characteristics for financers:** CoreWeave's c$24bn committed DDTLs offer attractive characteristics from a bank's perspective given: 1) SPV-financing with customer cashflows flowing towards debt servicing before being released to

European Banks

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See page 8 for analyst certification and important disclosures, including non-US analyst disclosures.

the parent; 2) capital release on project milestones rather than day1 loan exposure of committed amounts which can adjust to cycle changes; 3) scheduled debt amortisation which is progressive (i.e. drawdowns over time are held to compressed timelines so that the same final maturity date is held); 4) c$130bn of CoreWeave's remaining performance obligations as contractual demand underpinning the loans, generated from largely hyperscaler counterparties, which provides strong security despite underlying GPUs exposed to obsolescence risk.

- **CoreWeave financials:** CoreWeave had c$52bn of total outstanding obligations as at 1H, including c$35bn of total debt outstanding and c$16bn of operating leases. Outstanding DDTLs in SPVs represented c$14bn of debt representing 39% of total debt with most holding recourse, while unsecured senior notes (including convertibles) of $17bn represented 47% of total outstanding debt. The Group held $5.0bn of shareholder equity, with leverage therefore sitting at c10x. In addition, the Group had undrawn facilities of c$10bn at 1H and c$7bn debt issued post 1H.

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CoreWeave credit selloff has put AI infrastructure financing under focus

CoreWeave's publicly-traded debt has fallen to distressed levels with yields on parent unsecured notes rising to c15% and wider CDS spreads to c1100bps. The selloff reflects investor concerns around rising interest rates and the sustainability of the highly levered, capex-intensive business models of neoclouds and has brought attention to the financing risks associated with the AI infrastructure buildout.

CoreWeave is one of the largest neocloud providers, with 1.5GW of active power (4.2GW contracted as of Aug-26), c$130bn of contracted revenues as per the latest data, and c$52bn of debt outstanding (including operating leases) as of 1H. Clients include high-quality names such as Microsoft (c67% of FY25 revenues), OpenAI, Meta, Nvidia among others with 98% of CoreWeave's revenue committed under multi-year take-or-pay contracts, under which the customer pays whether or not it uses the capacity.

Table 1: CoreWeave: Key Balance Sheet Metrics

June-26	
Key Balance Sheet Items ($bn)	
Recourse debt	31.4
Non-recourse debt	3.7
Total Debt	**35.1**
Operating lease liabilities	16.3
Finance leases	0.2
Total debt and lease obligations	**51.6**
Stockholders' equity	**5.0**
Credit metrics	
Net debt (total debt less cash and marketable securities) ($bn)	29.5
Debt / equity	7.0x
Debt and leases / equity	10.3x
Liquidity ($bn)	
Cash, cash equivalents and marketable securities	5.5
Undrawn facility availability	10.0
Total liquidity	**15.6**

Source: Company reports, J.P. Morgan.

Debt is mostly secured through Delayed Draw Term Loans within SPVs

CoreWeave had c$52bn of total outstanding obligations as at 1H, including c$35bn of total debt outstanding and c$16bn of operating leases. DDTLs in SPVs represented c $14bn of debt representing 39% of total debt with most holding recourse, while unsecured senior notes (including convertibles) of $17bn represented 47% of total outstanding debt. The Group held $5.0bn of shareholders equity, with leverage therefore sitting at c10x. In addition, the Group had undrawn facilities of c$10bn at 1H and c$7bn debt issued post 1H.

We see banks as mainly exposed through secured SPV-based DDTLs (c$15bn drawn and c$9bn undrawn) and a senior secured revolver at the parent level ($2.5bn undrawn

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commitment), with banks likely to hold limited exposure to the senior unsecured bonds (c$21bn including c$10bn converts). DDTLs are committed lines of credit which CoreWeave draws down in stages over time, based on either timelines or project milestones (e.g. data centre construction). This allows CoreWeave to only pay interest on the drawn elements. CoreWeave's DDTLs are held in SPVs which offer banks the typical protection, including the cashflow waterfall with debt service payments high up.

Table 2: CoreWeave: Debt instruments

$mn, June-26

Instrument	Maturity	Effective interest rate	Drawn Amount	Notes*
Recourse debt				
DDTL 1.0 Facility	Mar-28	15%	1,300	Mainly non-bank lending
DDTL 2.0 Facility	Aug-30	11%	3,190	Mainly non-bank lending
DDTL 2.1 Facility	Mar-31	9%	3,000	
DDTL 3.0 Facility	Aug-30	9%	2,215	Lead arrangers: MS, MUFG, GS
DDTL 5.0 Facility	Nov-31	9%	1,101	Lead arrangers: MS, MUFG
2030 Senior Notes	Jun-30	10%	2,000	
2031 9.00% Senior Notes	Feb-31	10%	1,750	
2031 9.75% Senior Notes	Oct-31	10%	2,750	
2032 9.625% Senior Notes	Jul-32	10%	1,250	
2032 EUR Senior Notes[1]	Jul-32	9%	2,279	
2031 Convertible Senior Notes	Dec-31	2%	2,588	
2032 Convertible Senior Notes	Oct-32	2%	4,000	
Convertible Promissory Notes	Apr-26	7%	—	
Revolving Credit Facility	Nov-29	7%	—	Leads: JPM, GS, MS. Participants: Barclays, Citi, DB, Jefferies, Mizuho, MUFG, WF
OEM and Software License Financing Arrangements	Dec 2026 – Jul 2030	11%	4,220	
Magnetar Loan	Jan-29	12%	189	
Total recourse debt, net			**31,405**	
Non-recourse debt				
DDTL 4.0 Facility	Mar-32	7%	2,837	Lead arrangers: MUFG, MS, GS, JPM
OEM and Software License Financing Arrangements	Aug 2026 – Aug 2028	9%	882	
Total non-recourse debt, net			**3,663**	

Note: *Based on company filings as well as press reports (Reuters). Not exhaustive.
Source: Company reports - 10Q as of June 26, J.P. Morgan.

The Group's maturity schedule is also not concerning, in our view, with c17% of debt maturing in 2027 while 42% of debt matures beyond 2030.

Table 3: CoreWeave: Debt Maturity Profile

$bn, June-26

Year	Principal due
2H26	4.4
2027	6.2
2028	4.4
2029	2.4
2030	3.2
2031 onwards	14.9
Total	35.6

Source: Company reports, J.P. Morgan.

Higher market yields have limited impact on outstanding debt

The senior notes and converts carry fixed coupons and while DDTLs are predominantly floating rate, the newer facilities are largely hedged with swaps (DD least 75% of floating-rate borrowings to be hedged, and the DDTL 4 agreements require at least 95%), with banks holding limited exposu facilities, in our view. CoreWeave had $4.7bn of interest rate swaps flow hedges at June-2026, and the 2032 EUR Senior Notes are hedg through a €2.0bn cross-currency swap maturing in 2032.

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While lenders have a lien on the physical GPUs, the **greatest security is the contractual demand backing the loan – largely to hyperscalers and worth c$130bn of remaining performance obligations (RPOs) as of 3Q.**

Cashflow mismatch is the key risk

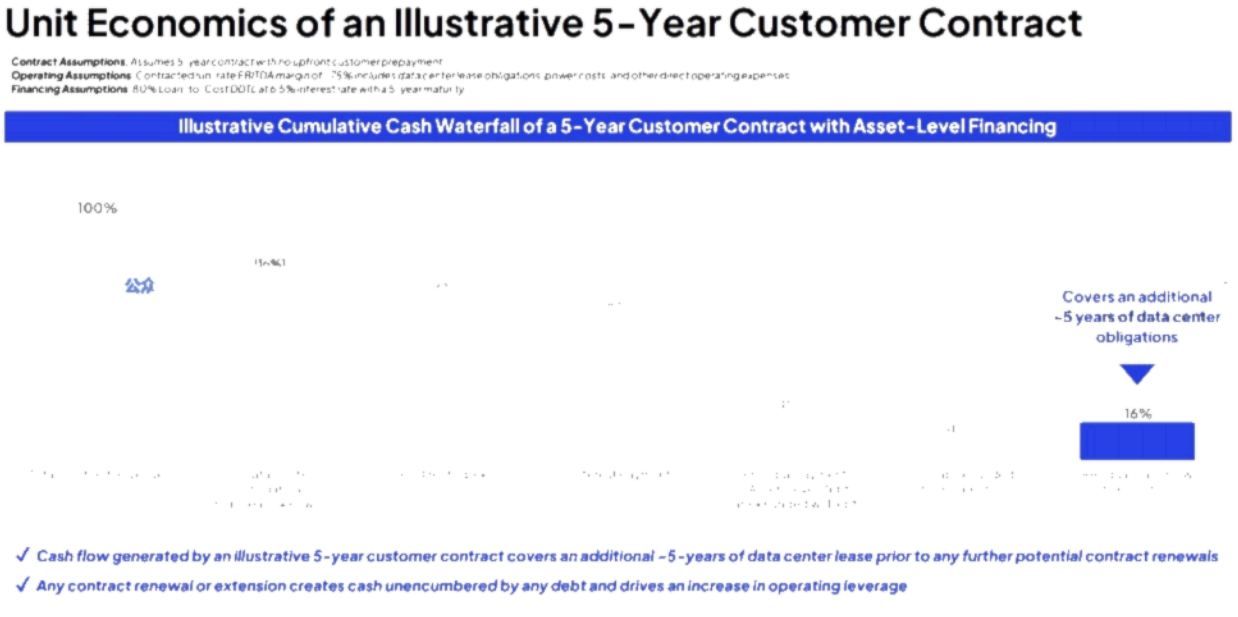
In our view, the key risk facing banks is the cashflow mismatch in the AI-capex cycle. The capex cycle requires a significant amount of front-loaded funding, while contractual demand only turns into cash inflow over time creating a timing mismatch. At CoreWeave, the Group has c$52bn of total obligations (including leases) outstanding, while **JPM analysts estimate c$29bn of negative free cash flow in 2026, c$37bn of negative free cash flow in 2028, and only turning to positive free cash flow by 2030**.

Similarly, our analyst expects significant growth in revenues from c$5bn 2025 to c $107bn by 2030, i.e. +83% CAGR across 25-30E. Revenue growth is expected to remain strong due to the Group's RPO recognition schedule, whereby c$104bn of RPO is expected to be realised: 1) c41% in the first 24 months through to 2028 (c$43bn), 2) 39% (c$40bn) across months 25-48, and 3) 20% (c$21bn) across months 49-78. **This backlog provides strong multi-year revenue visibility**.

Unit economics are sound – but material mismatch in cashflow timing

CoreWeave has outlined the unit economics of an illustrative 5-Y customer contract (see below). The contract assumes a 5-year maturity with capex worth c51% of total contract value (including asset level debt worth c41% of the contract value and 10% from the parent), and generates residual cash flow to the parent of c16% of contract value after full repayment of the asset-level debt. The residual cash flow to the parent is sufficient to cover 5 years of data center obligations even if the capacity is not re-contracted.

Figure 1: CoreWeave Illustrative Contract Economics



Source: Company Presentation.

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Our analysts view the illustrative economics as conservative, as the useful lives of GPUs are currently extending beyond both the 6-year depreciation schedule and the contract term, positioning CoreWeave to earn cash flow beyond the contract term with only lease and power costs to cover once the asset-level debt is repaid. See CoreWeave - Debt Concerns Reflect Sentiment Around Timing of Cash Flows, Contrary to Healthy Contract Economics, Returns and Execution Leadership in Scaling.

Project returns to clear the blended cost of capital, with pricing likely to rise reflecting the higher cost of capital

Based on CoreWeave's illustrated customer contract (above), our Equity analyst outlines an illustrative IRR calculation below – whereby the unlevered contract IRR is estimated in the mid-teens range, relative to a blended cost of capital in the range of 9%-11%. This assumes the vast majority of the capex will be funded by a combination of parent company and asset backed debt, for a typical 5-year contract duration.

However, with the likelihood of a contract renewal beyond the initial 5-year duration, the IRR rises to a higher level relative to the mid-teens. Additionally, while the cost of capital is likely to rise given the current concerns in the debt market, our analyst expects the pricing for compute for new capacity to embed the higher cost to keep return fundamentals unchanged for CoreWeave.

Figure 2: Illustrative Project-Level IRR Calculation

Assumptions	
Contract	
TCV	1,000
Contract Term (years)	5
Capex to First Revenue (months)	3
Operating	
Contracted run-rate EBITDA	75%
DC obligation % of Rev	16%
Direct Opex % of Rev	9%
DC Lease Term (years)	5
Capex	
Capex (% of TCV)	51%

Year	0	1	2	3	4	5
Timing-adj cash flow date (mid-year)	1/1/2026	10/1/2026	10/1/2027	10/1/2028	10/1/2029	10/1/2030
Customer Cash		200	200	200	200	200
DC Obligation		(32)	(32)	(32)	(32)	(32)
Direct Opex		(18)	(18)	(18)	(18)	(18)
Cash EBITDA		**150**	**150**	**150**	**150**	**150**
EBITDA Margin		*75%*	*75%*	*75%*	*75%*	*75%*
Capex	(510)					
Cash Flow to Firm	**(510)**	**150**	**150**	**150**	**150**	**150**

IRR (mid-year convention)	**16.0%**
IRR (end of year convention)	**14.4%**
Payback Period (years)	**3.40**

Source: J.P. Morgan (link to note)

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Tech-related ECM and DCM activity has been very strong this year

Table 4: Tech ECM represents 30% of ECM activity; the highest level in 10+ years

YTD August 2026, FY for 2015-25

USD bn	2026*	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total ECM	**902.7**	**931.5**	**732.8**	**598.0**	**584.5**	**1,646.0**	**1,278.5**	**793.5**	**784.6**	**930.3**	**772.2**	**970.7**
GS	91.0	82.5	63.9	46.8	37.6	153.6	129.6	72.5	68.6	71.0	52.0	77.8
JPM	75.7	87.3	66.9	42.6	31.3	116.6	102.4	59.6	58.1	64.6	60.0	66.8
MS	67.9	80.2	71.1	39.3	30.9	130.2	122.9	75.6	68.2	77.7	51.6	72.9
BofA	57.5	54.7	51.6	41.7	24.4	102.4	86.8	42.2	40.5	45.5	37.7	56.0
Citi	52.9	47.1	42.7	27.5	24.3	100.4	79.2	45.4	46.9	46.9	33.9	49.5
UBS	32.9	30.9	21.1	15.2	23.0	95.6	98.7	63.3	61.8	74.9	61.8	104.9
BARC	28.4	22.4	24.2	14.2	10.7	47.5	36.0	20.6	21.0	29.3	22.8	36.0
DBK	24.4	10.1	11.8	6.7	6.8	29.3	23.7	14.0	25.5	34.4	34.9	47.6
CITIC	15.9	16.8	8.5	23.1	35.5	47.2	27.7	17.8	10.8	17.9	21.4	18.4
Nomura	8.7	7.2	12.4	10.6	4.4	13.4	8.2	6.4	10.2	12.4	9.9	18.0

USD bn	2026*	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Tech ECM	**266.5**	**163.9**	**91.0**	**76.3**	**85.9**	**294.7**	**217.5**	**101.4**	**82.2**	**73.3**	**53.4**	**47.3**
% of Total ECM	**30%**	**18%**	**12%**	**13%**	**15%**	**18%**	**17%**	**13%**	**10%**	**8%**	**7%**	**5%**
GS	35.3	14.7	9.6	3.8	5.5	30.8	30.3	12.0	10.9	5.1	1.5	3.2
JPM	22.4	13.5	8.1	3.6	3.8	26.3	18.0	9.1	7.2	5.9	3.7	3.8
Citi	20.7	12.6	7.9	1.3	3.4	14.2	13.8	6.2	4.9	3.2	0.9	1.0
BofA	15.8	7.5	3.5	3.5	2.6	20.7	15.1	6.1	4.9	3.1	1.2	2.1
MS	14.5	13.9	7.5	2.3	3.8	23.1	22.4	12.6	10.0	4.6	6.4	4.9
CICC	12.5	1.9	0.9	4.7	5.4	6.4	4.5	4.0	5.7	1.0	0.5	2.3
BARC	8.5	5.0	6.3	0.9	0.4	9.3	5.9	3.2	1.4	1.5	0.7	1.0
UBS	7.3	3.9	2.7	1.6	2.0	18.0	14.1	6.8	4.9	4.7	1.2	2.0
DBK	6.5	3.1	1.2	0.5	0.2	5.5	4.5	2.1	3.0	2.3	4.9	1.9
CITIC	5.2	5.0	1.0	6.6	11.3	13.9	4.2	1.8	0.8	0.8	2.5	0.4

Notes: Tech ECM defined as ECM deals that come under "Computers and Electronics" specific industry groups with a use of proceeds that includes Add-ons, Capex, Expansion, General Corporate Purpose, Project Finance, Infrastructure and Investments
Source: Dealogic, Company reports.

Table 5: Hyperscaler DCM activity shows US banks leading in issuance

YTD August 2026, FY for 2024-25

	2026 YR				2025 YR				2024 YR			
Lead Bank (Parent)	Rank	Deal Value USD (m) (Proceeds)	No.	% Share	Rank	Deal Value USD (m) (Proceeds)	No.	% Share	Rank	Deal Value USD (m) (Proceeds)	No.	% Share
JPMorgan	1	21,876	13	10.62	5	5,953	8	5.20	1	3,146	2	20.35
Goldman Sachs	2	18,978	12	9.21	7	5,826	7	5.09				
Citi	3	17,961	10	8.72	1	20,811	8	18.19	1	3,146	2	20.35
Morgan Stanley	4	15,565	9	7.55	2	18,943	8	16.55	1	3,146	2	20.35
BofA Securities	5	13,952	12	6.77	7	5,826	7	5.09	4	2,617	1	16.93
Deutsche Bank	6	13,722	11	6.66	3	6,755	9	5.90	7	336	1	2.17
BNP Paribas	6	13,722	11	6.66	4	6,194	8	5.41	7	336	1	2.17
RBC Capital Markets	8	12,461	8	6.05	10	4,200	7	3.67				
TD Securities	8	12,461	8	6.05	13	3,271	5	2.86				
HSBC	10	12,188	11	5.92	5	5,953	8	5.20	7	336	1	2.17
Scotiabank	11	10,194	5	4.95	13	3,271	5	2.86				
Barclays	12	8,107	7	3.94	9	4,761	8	4.16	5	529	1	3.42
SG CIB	13	7,885	6	3.83	10	4,200	7	3.67				
Wells Fargo	13	7,885	6	3.83	10	4,200	7	3.67				
Mizuho	15	4,544	6	2.21	17	2,202	4	1.92				
Subtotal		**191,502**		**92.95**		**102,363**		**89.46**		**13,589**	**3**	**87.90**
Total		**206,026**	**17**	**100.00**		**114,427**	**11**	**100.00**		**15,459**	**3**	**100.00**

Notes: Issuance from select hyperscalers: Oracle, Amazon, Apple, Meta, Microsoft, IBM, Alibaba, Tencent, Huawei, Bytedance
Source: Dealogic, J.P. Morgan.