S&P Global Ratings

U.S. GSIBs Q1 2024 Update: Strong Performance Underscores Resiliency

The U.S. global systemically important banks (GSIBs) are Bank of America Corp., Bank of New York Mellon Corp., Citigroup Inc., Goldman Sachs Group Inc., JPMorgan Chase & Co., Morgan Stanley, State Street Corp., and Wells Fargo & Co. (We also include Northern Trust Corp., which is a peer of the trust banks--Bank of New York Mellon Corp. and State Street Corp.)

May 31, 2024

This report does not constitute a rating action

Key Forecast

Earnings could dip in 2024, but GSIBs are still in good shape to generate solid profitability

Revenue & profitability

Net interest income (NII), which fell in the first quarter, will likely continue to modestly decline for the next quarter or two from elevated levels as funding costs rise. Fee income rose strongly in Q1 and may pick up further in some areas, especially in investment banking, if credit spreads remain favorable. Trading revenues could remain relatively robust. Profitability should stay reasonably strong.

Capital ratios

We think GSIBs will at the very least maintain current capital levels, mainly due to caution about the economy and the Basel III endgame proposal. Consequently, we expect capital distributions will be measured until the proposal is finalized.

Asset quality

We expect delinquencies and charge-offs to gradually rise amid persistently higher interest rates, below-potential economic growth, stress in commercial real estate (CRE), and declining consumer savings. We think price declines and maturities in CRE and the rise in credit card loans are risks to watch, and we expect provisions for credit losses to increase. Overall, we believe asset quality pressure will increase but remain manageable.

Funding & liquidity

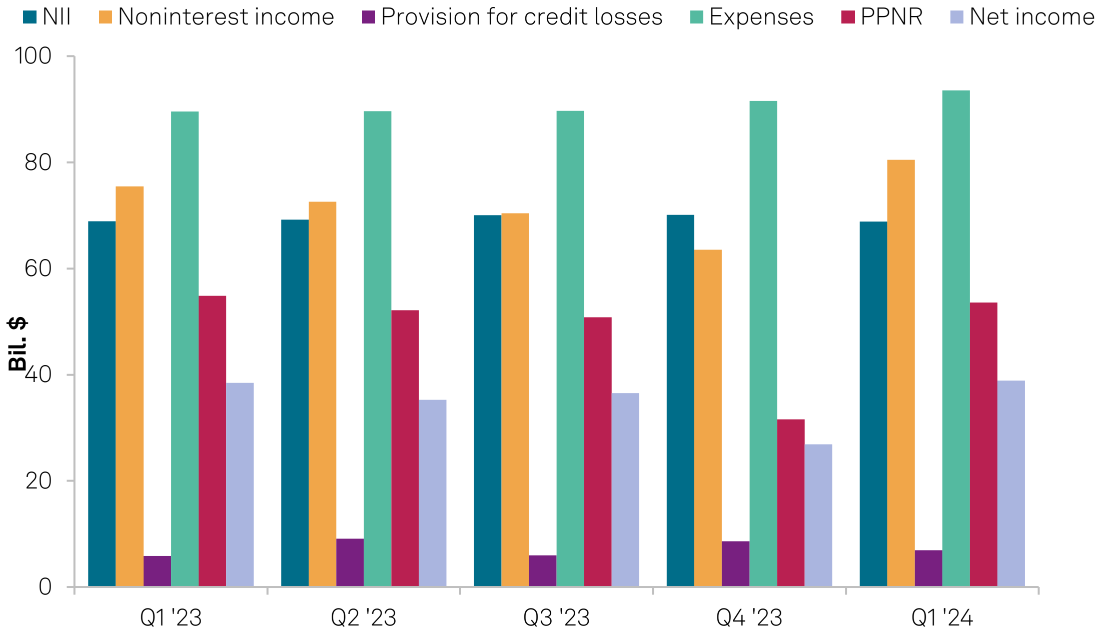
While deposits grew in the last two quarters, any further growth will likely be limited until the Federal Reserve finishes quantitative tightening, with possible further moderate increases in funding costs through the year until the Fed cuts rates. GSIBs are likely to maintain good contingent liquidity, although many still have sizable unrealized losses on their securities.

First-Quarter 2024 Results

Earnings Rose In Q1 Aided By Robust Noninterest Income Growth

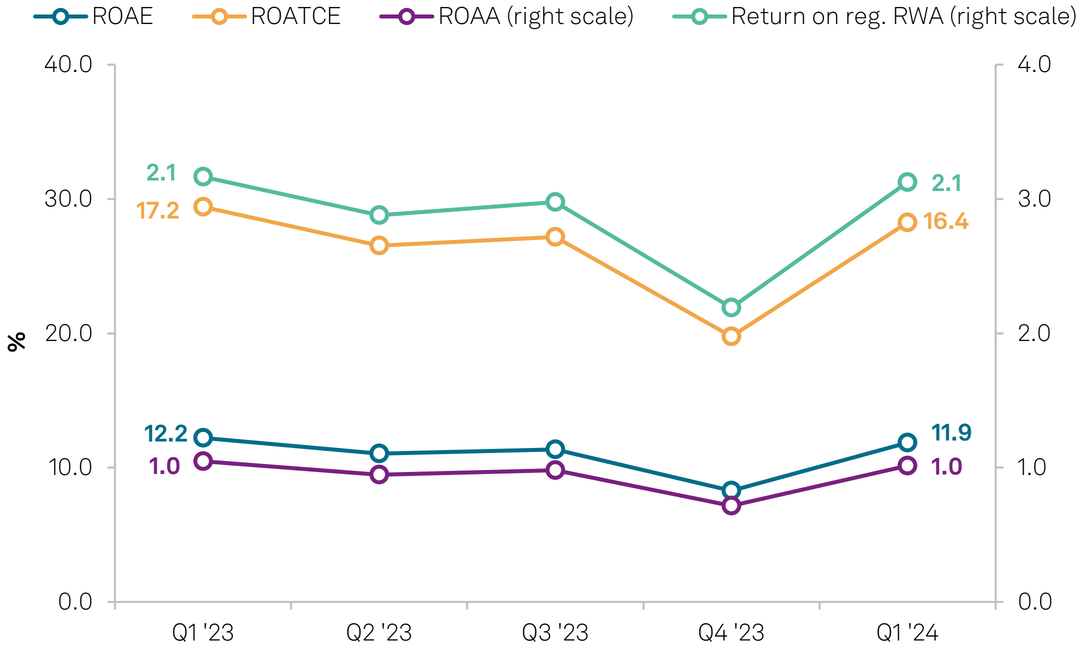
- Adjusting for Federal Deposit Insurance Corp. (FDIC) special assessment fees, GSIBs reported strong earnings with a return on average equity (ROAE) of 11.9% in the first quarter.
- Still, earnings were essentially flat compared to the prior year's quarter due to higher interest expenses, higher provisions, and lower NII.
- Higher provisions and a potential further decline in NII from elevated levels will likely weigh on earnings in 2024.

U.S. GSIBs: quarterly earnings performance



The data is aggregate of the U.S. GSIBs and adjusted for FDIC special assessment charges in Q4 2023 and Q1 2024. NII--Net interest income. PPNR--Preprovision net revenue. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

U.S. GSIBs: quarterly profitability trends



The ratios reflect aggregate of the U.S. GSIBs and are annualized and are adjusted for FDIC special assessment charges in Q4 2023 and Q1 2024. ROAE--Return on average equity. ROATCE--Return on average tangible common equity. ROAA--Return on average assets. RWA—Risk weighted assets. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

Net Interest Income Will Likely Decline Gradually From Elevated Levels

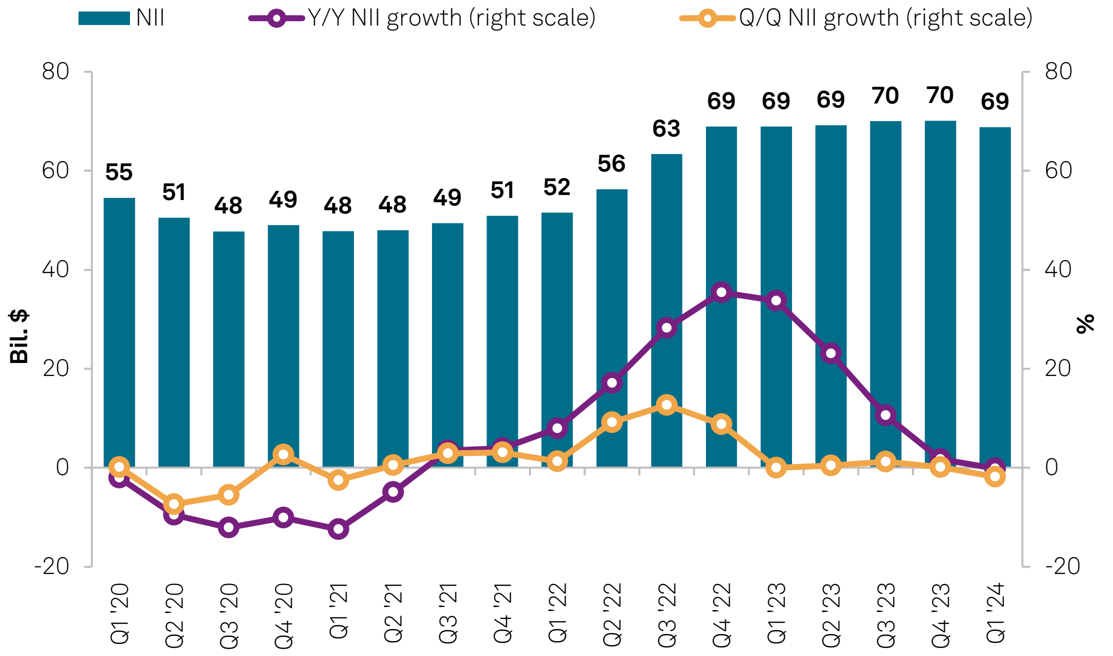
- NII declined modestly both sequentially and year-over-year in Q1, limiting earnings growth.
- Loan growth was a mixed story. While loans grew year-over-year, they fell sequentially partly due to still rising funding costs. We expect limited loan growth in 2024, partially due to more conservative borrower demand and tight lending standards.
- Lagged rises in deposit and funding costs will likely weigh further on NII and net interest margins (NIM) this year.

Money center banks: loan growth, Q1 2024

(%)	Total loans		Consumer mortgages		Credit cards		Other consumer		Commercial real estate		Commercial	
	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y
BAC	(0.2)	0.4	(0.5)	(0.8)	(3.7)	6.5	1.8	(0.0)	(1.7)	(1.9)	0.4	0.4
C	(2.0)	1.8	0.9	7.7	(3.5)	8.9	(2.6)	(18.9)	(2.3)	0.1	(2.4)	1.9
JPM	(1.1)	16.0	(1.9)	47.8	(2.1)	14.9	(1.0)	10.4	0.5	32.9	(0.7)	4.5
WFC	(1.4)	(2.7)	(1.2)	(3.6)	(0.4)	13.7	(1.2)	(7.8)	(1.2)	(3.8)	(1.8)	(2.5)
Median	**(1.2)**	**1.1**	**(0.9)**	**3.4**	**(2.8)**	**11.3**	**(1.1)**	**(3.9)**	**(1.4)**	**(0.9)**	**(1.3)**	**1.1**

Total loans include loans held for sale and loans held at fair value. Loans held for sale and small business loans are included under other consumer loans if adequate disclosures are not available. Q/Q--Quarter over quarter. Y/Y--Year over year. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

U.S. GSIBs: NII trends



The data is aggregate of the U.S. GSIBs. Y/Y--Year over year. Q/Q--Quarter over quarter. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

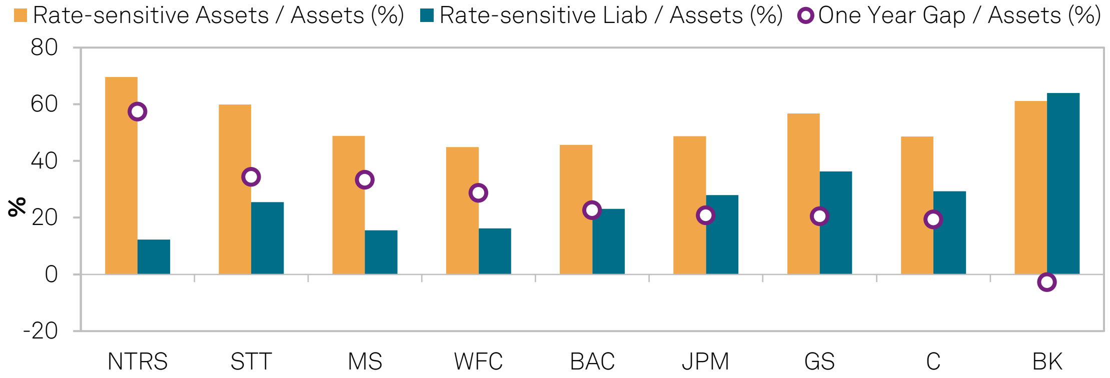
For Most GSIBs, Net Interest Margins Decreased In Q1

U.S. GSIBs: NII drivers, Q1 2024

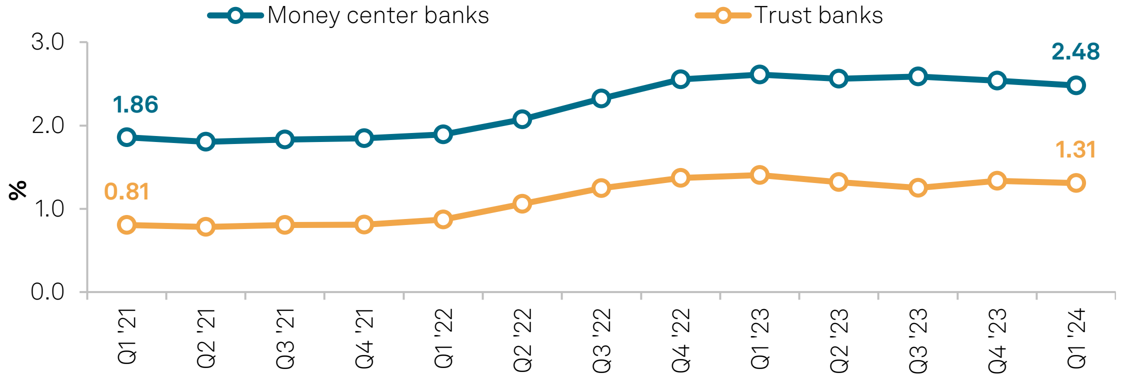
	Cumulative interest-bearing deposit beta (%)	Change in cost of deposits (bps)		Change in cost of interest-bearing liabilities (bps)		Change in yield on earning assets (bps)		Change in net interest margin (bps)	
		Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y
BAC	49.9	11	127	9	117	10	76	2	(21)
C	64.7	9	98	4	142	0	118	(4)	1
JPM	53.9	7	100	9	95	2	87	(10)	8
WFC	44.2	17	112	13	117	4	62	(11)	(39)
BK	75.1	5	113	18	282	20	250	(7)	(10)
STT	68.7	5	119	13	124	14	111	(3)	(18)
NTRS	72.4	12	122	26	352	33	299	2	(1)
Median	**64.7**	**9**	**113**	**13**	**124**	**10**	**111**	**(4)**	**(10)**

- The majority of GSIBs reported sequential as well as year-over-year declines in NIMs as funding costs outpaced asset yields.
- Higher deposit pricing, higher funding costs, and a continued deposit mix shift hurt money center banks' NIMs.
- Some GSIBs could still benefit before the rate cut expected later this year, but gains should level off gradually throughout the year.
- We expect deposit betas to climb further, potentially reaching above where they peaked in the last cycle.

U.S. GSIBs: interest rate sensitivity, Q1 2024



U.S. GSIBs: average net interest margin (NIM) trends

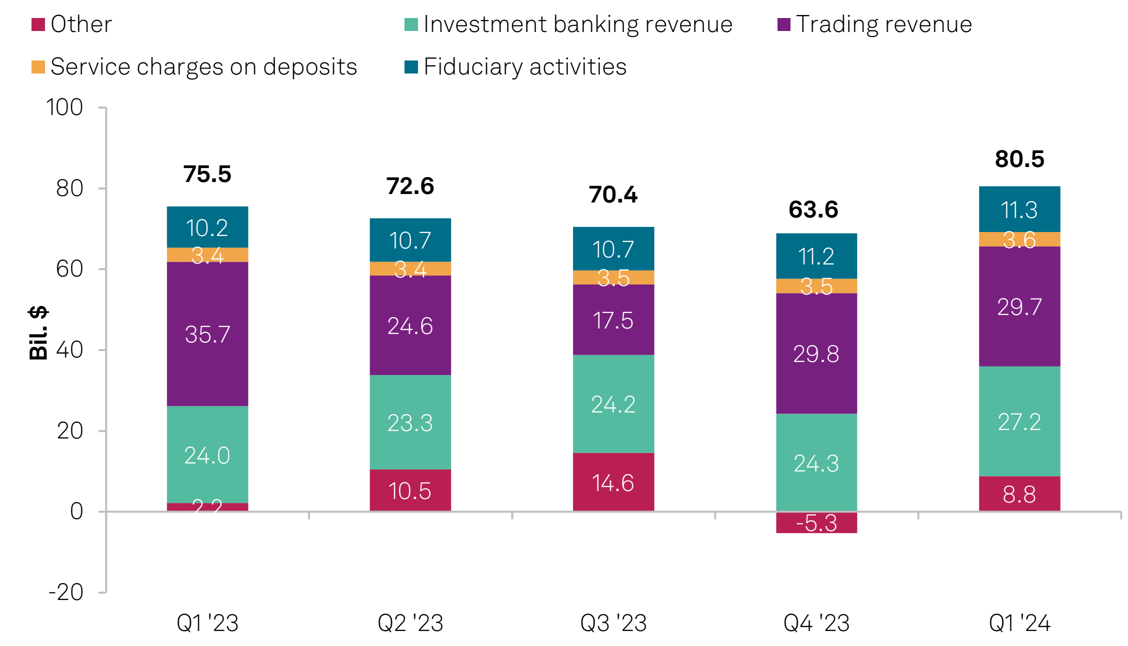


Cumulative deposit beta is calculated as the change in the cost of interest-bearing deposits from Q1 2022 to Q1 2024 divided by the change in the average effective Fed Funds rate from Q1 2022 to Q1 2024. One-year gap ratio is the percentage of net rate sensitive assets / liabilities maturing or repricing within one year divided by total assets. Bps--Basis points. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Q/Q--Quarter over quarter. Y/Y--Year over year. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

Noninterest Revenue Rose Significantly, Aided By Market-Linked Sources

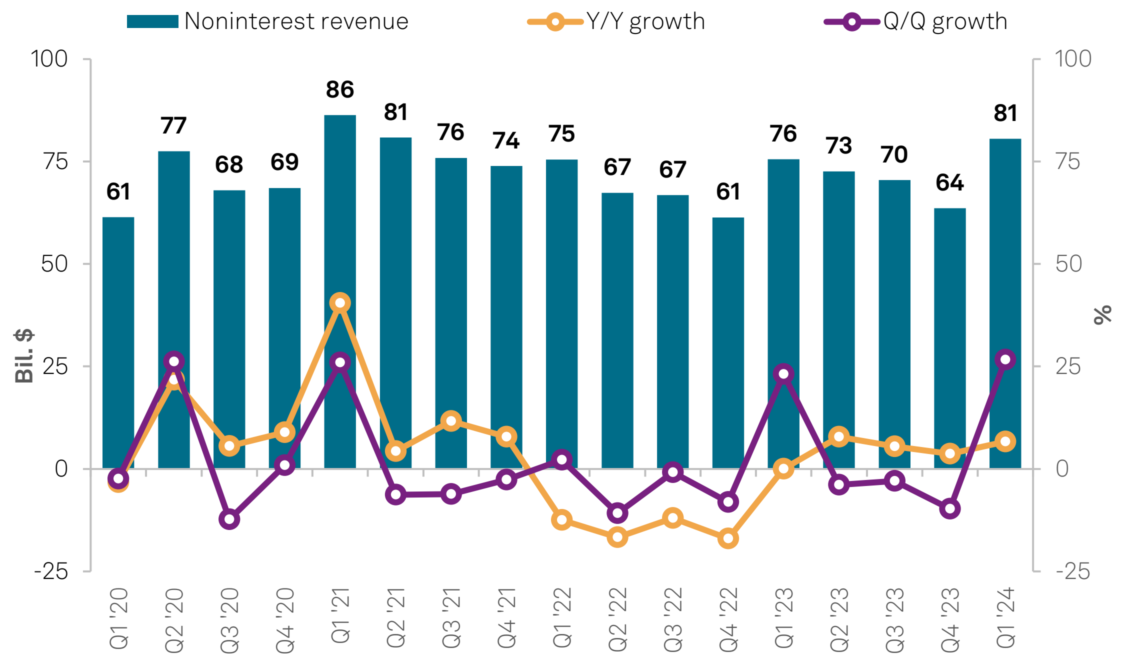
- Investment banking revenue rose significantly, boosted by favorable market conditions, while asset and wealth management revenue benefited from higher asset values amid market lift. However, high interest rates still limit mortgage banking and certain other fee income sources.
- The trajectory of noninterest revenue is difficult to predict and will depend on economic activity, asset valuations, interest rates, and other factors in 2024.

U.S. GSIBs: noninterest revenue mix & trends



The data is aggregate of the U.S. GSIBs. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

U.S. GSIBs: noninterest revenue growth trends



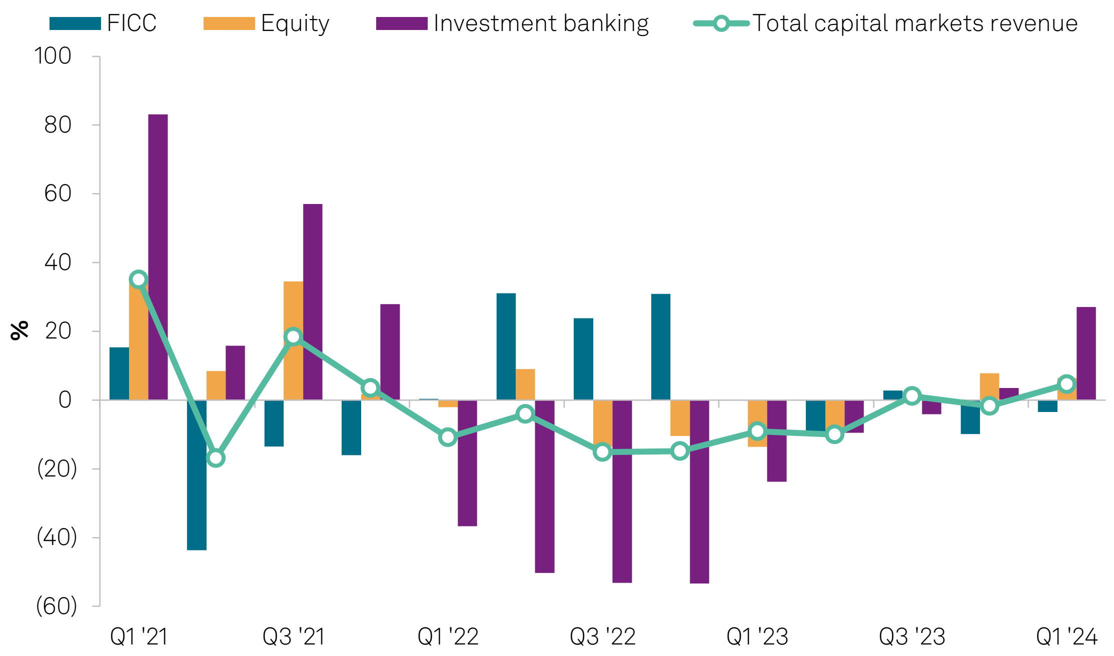
The data is aggregate of the U.S. GSIBs. Y/Y--Year over year. Q/Q--Quarter over quarter. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

S&P Global Ratings

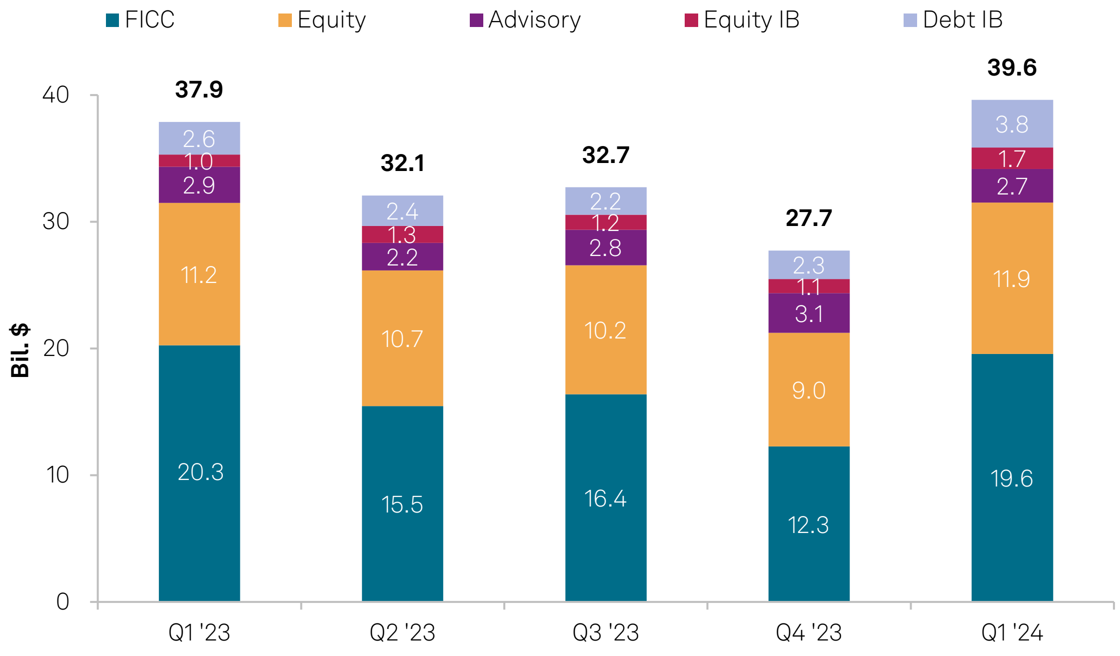
Capital Market Activity Rebounded In Q1, Except For Advisory

- Capital markets revenue generally benefited from economic resilience and tighter spreads, which boosted underwriting.
- After a modest decline in 2023, we expect capital markets revenue to be flat to up 10% in 2024, though higher rates may still hamper results.
- We expect conditions to improve for debt and equity underwriting, equity trading, and advisory. However, we don't think revenue from fixed income, currencies, and commodities (FICC) trading will be as strong as it was last year.

Y/Y change in capital markets revenue



Capital markets revenue trends

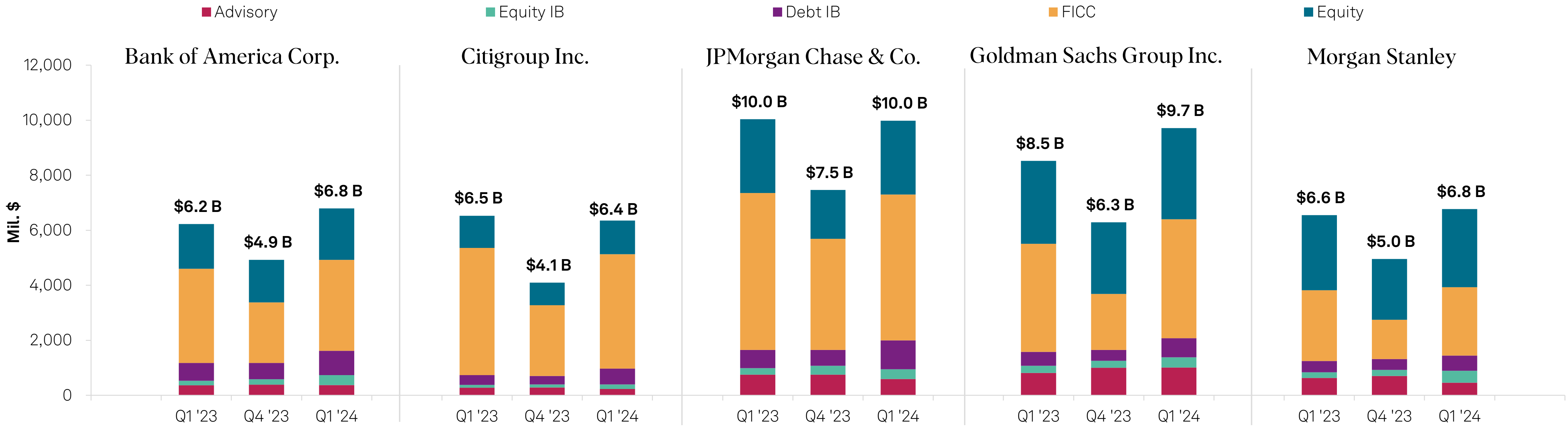


Y/Y--Year over year. FICC--Fixed income, currencies, and commodities. IB--Investment banking. Sources: Company filings and S&P Global Ratings.

Strong Investment Banking Helped Boost Q1 Capital Markets Activity

- Investment banking revenue rose 27% year-over-year, aided by strong growth in debt (+46%) and equity (+74%) underwriting as improved market sentiment led to an increase in issuance activity, partly offset by lower advisory (-6%) revenue owing to fewer completed deals.
- Though overall trading revenue was flat year-over-year, trends varied. While FICC declined 3% year-over-year on lower client activity and market volatility, equity increased 6% year-over-year, helped by higher market values and volumes.

Capital markets revenue by company

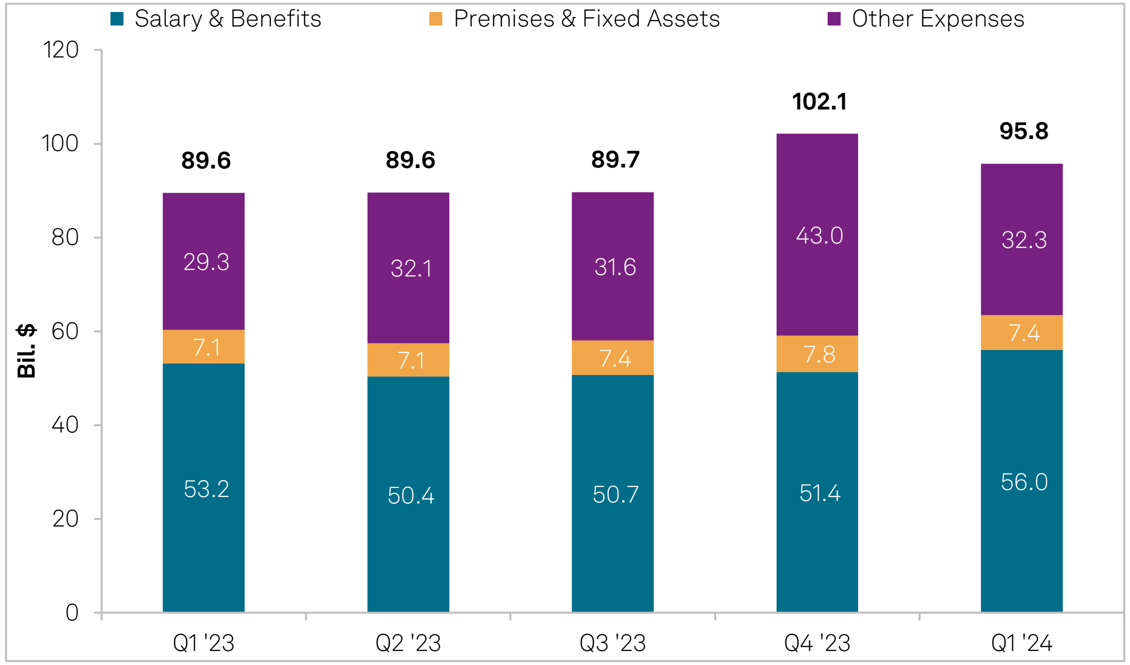


FICC--Fixed income, currencies, and commodities. IB--Investment banking. Note: We define capital markets revenues as sum of equity underwriting, debt underwriting, advisory, equity trading, and fixed income, currencies, and commodities trading.
Sources: Company filings and S&P Global Ratings.

Expenses Will Likely Remain Higher Even As One-Off Items Recede

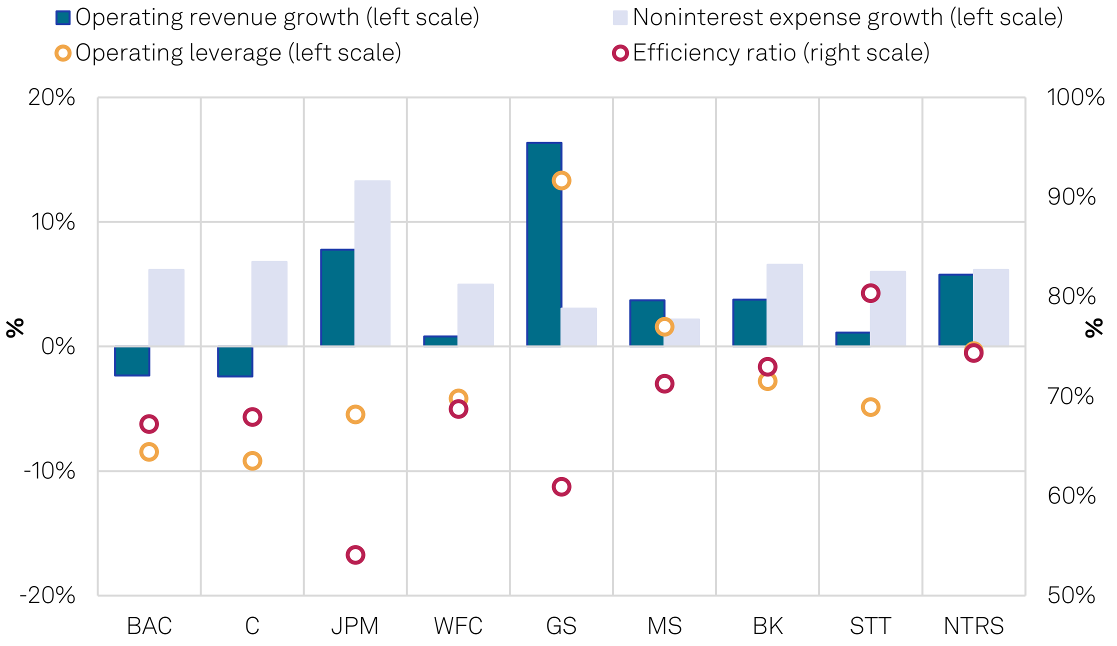
- The FDIC special assessment fee and certain one-time charges drove expenses up significantly both in Q4 2023 and Q1 2024.
- Expenses also rose due to higher investments in compliance and growth--including in fintech and structural expenses--spurred by the inflationary trends.
- Most GSIBs reported negative operating leverage in Q1 as lower NII, higher expenses, and other factors weighed on results. For some banks, operating leverage was positive aided by higher capital market revenue. We think weakening NII and rising expenses could pressure core operating leverage.

U.S. GSIBs: noninterest expense trends



The data is aggregate of the U.S. GSIBs. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

U.S. GSIBs: operating leverage, Q1 2024



BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

Asset Quality

Allowances For Credit Losses Rose Above Day 1 CECL Levels

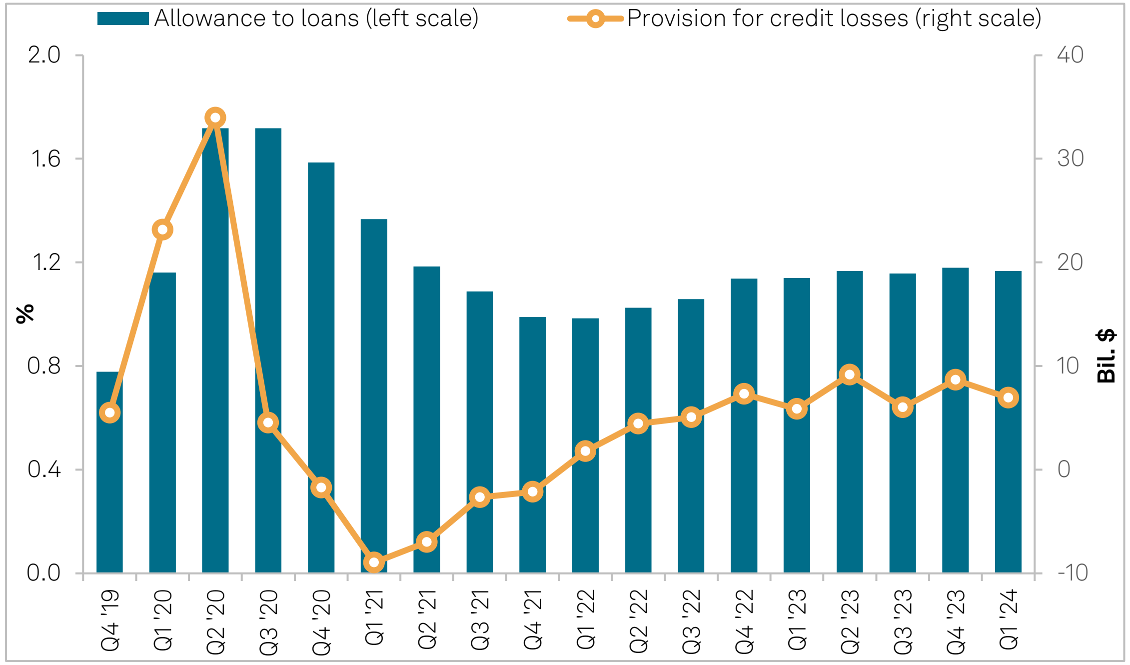
- Provisions declined sequentially in the first quarter largely due to weak loan growth but were up year over year given the weakening asset quality metrics.
- We expect the ratio of allowances to loans to rise somewhat further in 2024.
- As a result, that ratio will likely remain above Day 1 current expected credit losses (CECL) for most GSIBs.

U.S. GSIBs: reserve coverage trends

	Q4 2019				Q4 2023		Q1 2024			
	ACL (Bil. $)	Reserve ratio (%)	ACL incl. CECL Day 1 reserves (Bil. $)	CECL Day 1 reserve ratio (%)	ACL (Bil. $)	Reserve ratio (%)	ACL (Bil. $)	Reserve ratio (%)	2023 CCAR loan losses (Bil. $)	ACL as a % of CCAR loan losses (%)
BAC	10.2	1.0	13.5	1.3	14.6	1.3	14.4	1.3	54.4	26.4
C	14.2	2.0	18.4	2.6	19.9	2.8	19.9	2.9	47.3	42.1
JPM	14.3	1.5	18.6	1.9	24.6	1.8	24.5	1.8	72.9	33.6
WFC	10.5	1.1	9.2	1.0	15.1	1.6	14.9	1.6	54.2	27.4
GS	1.8	1.3	2.7	2.0	5.7	2.4	5.5	2.2	19.4	28.5
MS	0.6	0.4	0.6	0.4	1.8	0.7	1.8	0.7	10.1	17.6
BK	0.2	0.4	0.2	0.3	0.4	0.6	0.4	0.6	1.6	25.2
STT	0.1	0.3	0.1	0.3	0.1	0.4	0.1	0.4	1.2	12.1
NTRS	0.1	0.4	0.1	0.4	0.2	0.4	0.2	0.4	3.0	6.3

ACL--Allowance for credit losses. CECL--Current expected credit loss. CCAR--Comprehensive capital analysis and review. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, the Federal Reserve, S&P Global Ratings, and S&P Cap IQ Pro.

U.S. GSIBs: allowances/loans and provisions trends



Provision for credit losses is the aggregate of the U.S. GSIBs. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

S&P Global Ratings

Credit Quality Metrics Are Gradually Deteriorating Amid Higher Rates

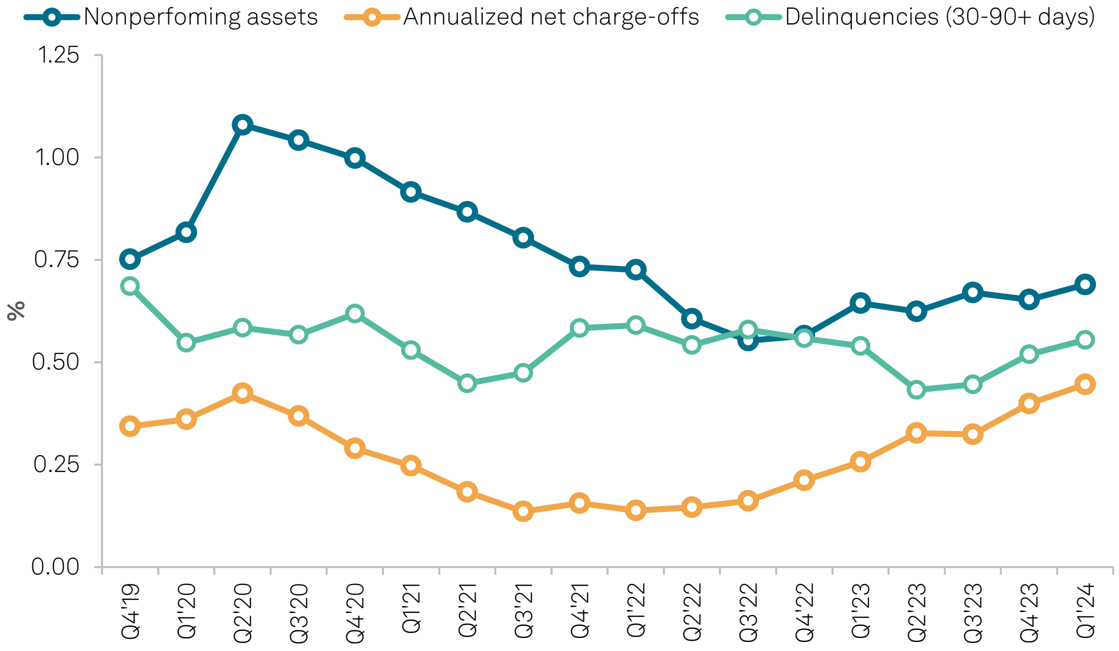
- Loss rates increased consistently, albeit modestly, over the last few quarters.
- Nonperforming and delinquent loans remain low but continue to inch higher as the credit cycle normalizes.
- We expect further deterioration due to higher-for-longer rates, a below-potential economic backdrop, and persistent inflationary pressures.

Money center banks: asset quality indicators, Q1 2024

	Nonperforming assets (NPAs)*			Net charge-offs (NCOs)#			Reserves to loans			Reserve release (build) / pretax income
	(%)	Q/Q (bps)	Y/Y (bps)	(%)	Q/Q (bps)	Y/Y (bps)	(%)	Q/Q (bps)	Y/Y (bps)	(%)
BAC	0.57	4	18	0.57	12	26	1.25	(1)	6	2.46
C	0.41	(5)	2	1.34	17	57	2.70	8	12	(0.77)
JPM	0.63	6	(3)	0.60	(6)	19	1.71	1	(7)	0.42
WFC	0.89	(1)	24	0.49	(4)	24	1.55	0	18	3.78

BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. *NPAs are reported nonperforming assets divided by total gross loans. #NCOs are total net charge-offs (annualized) divided by average loans. Q/Q--Quarter over quarter. Y/Y--Year over year. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

U.S. GSIBs: key asset quality metrics quarterly trends

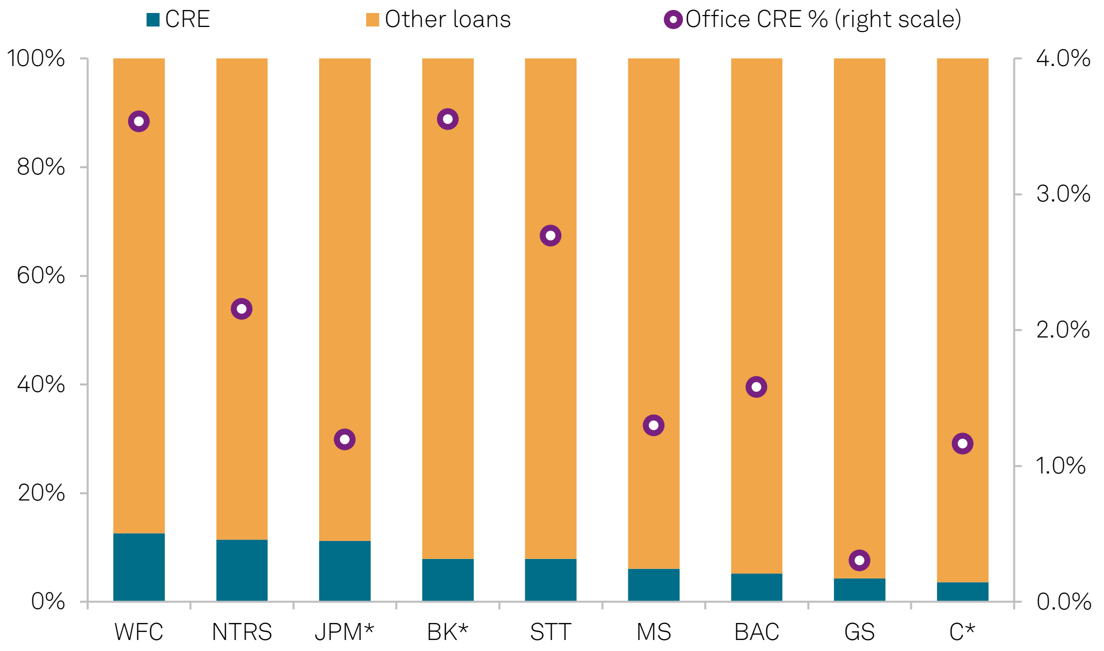


Data is the aggregate of the U.S. GSIBs. Nonperforming assts (NPA) ratio = NPA excluding restructured loans / gross loans. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

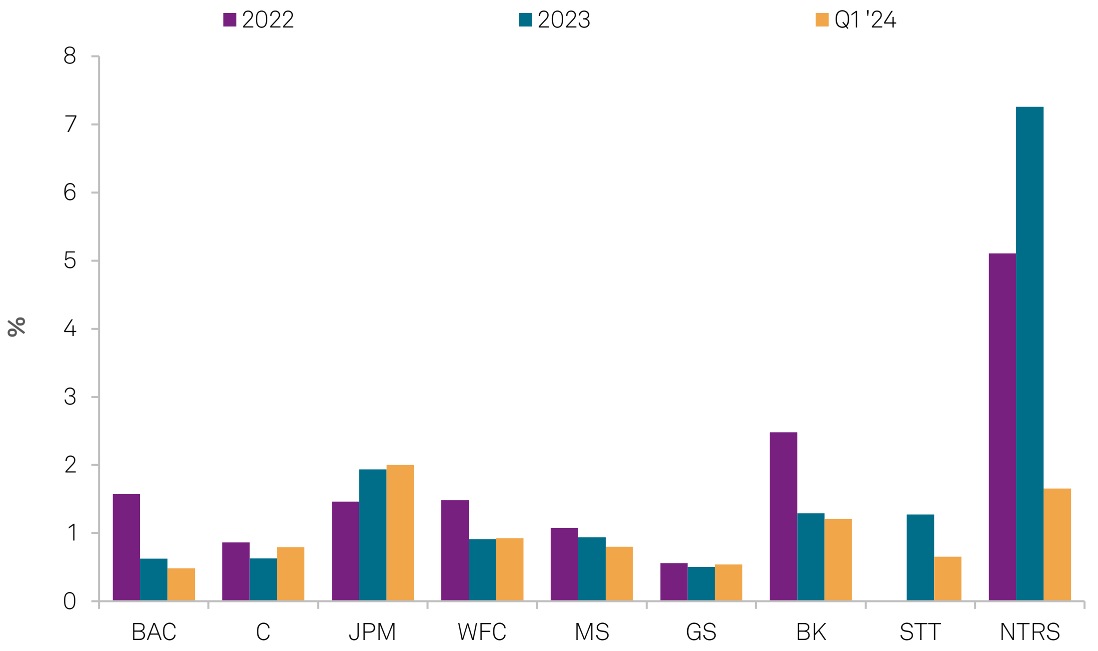
Office CRE Remains A Risk But Is Only A Small Portion Of GSIB Loans

- GSIBs together are the largest CRE lenders by dollar volume, but CRE loans account for a relatively small percentage of their overall portfolios.
- Office properties remain the most vulnerable given the structural changes but are a low percentage of loans.
- That said, materially higher rates add headwinds to both CRE prices and refinancing ability, no matter the property type.

U.S. GSIBs: CRE exposure, Q1 2024



U.S. GSIBs: CRE loss reserves to delinquent loans



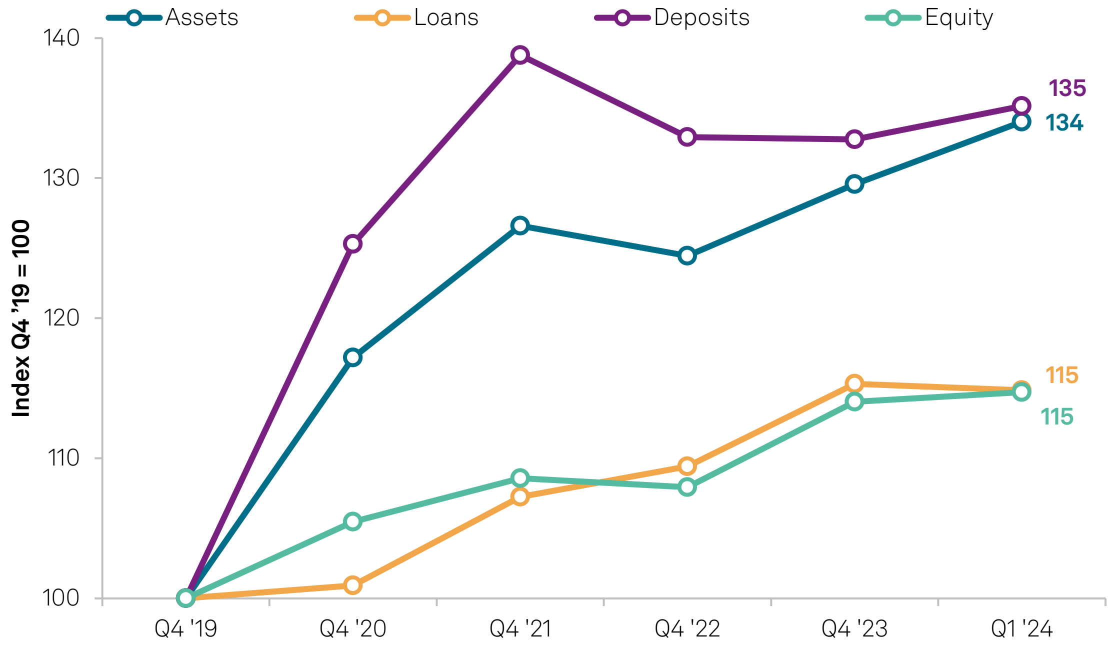
CRE--Commercial real estate. Note: CRE loans excludes owner-occupied. *Office CRE data includes off-balance sheet exposure. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

Balance Sheet Trends

GSIB Balance Sheets Remain Healthy And Grew Modestly In Q1

- GSIBs' balance sheets grew in the first quarter, largely reflecting growth in interest-bearing deposits.
- Loan growth trends were mixed. While loans at trust banks and broker dealers grew at a robust pace, loans at money center banks declined.
- Equity rose, largely reflecting capital accretion even as continued shareholder payouts and unrealized losses in securities portfolio somewhat weighed on equity.

U.S. GSIBs: balance-sheet trends



Q4 2019 data equated/indexed to 100. The data is aggregate of the U.S. GSIBs. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

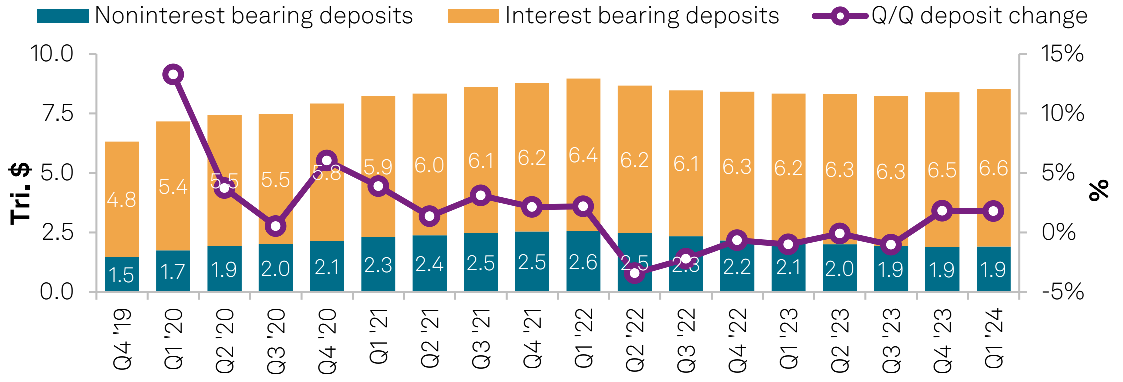
U.S. GSIBs: balance-sheet trends, Q1 2024

	Assets		Loans		Deposits		Equity	
(%)	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y
BAC	2.9	2.5	0.3	1.7	1.2	1.9	0.7	5.3
C	0.9	(0.9)	(2.0)	2.3	(0.1)	(1.8)	0.6	0.5
JPM	5.6	9.3	(0.7)	16.1	1.2	2.2	2.1	11.3
WFC	1.4	3.9	(1.5)	(2.8)	1.8	1.5	(2.4)	0.4
MS	2.9	2.4	0.5	4.7	0.2	1.4	0.2	(1.8)
GS	3.5	10.4	2.4	9.3	2.9	17.3	1.6	0.5
BK	6.1	2.3	10.4	18.2	8.9	9.9	(0.6)	1.5
STT	13.7	16.2	5.5	13.9	14.0	12.6	0.7	(3.6)
NTRS	3.5	3.3	(0.6)	11.7	6.7	9.0	1.9	4.8
Median	**3.5**	**3.3**	**0.3**	**9.3**	**1.8**	**2.2**	**0.7**	**0.5**

Loans includes gross loans held for investment and loans held for sale. Q/Q--Quarter over quarter. Y/Y--Year over year. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

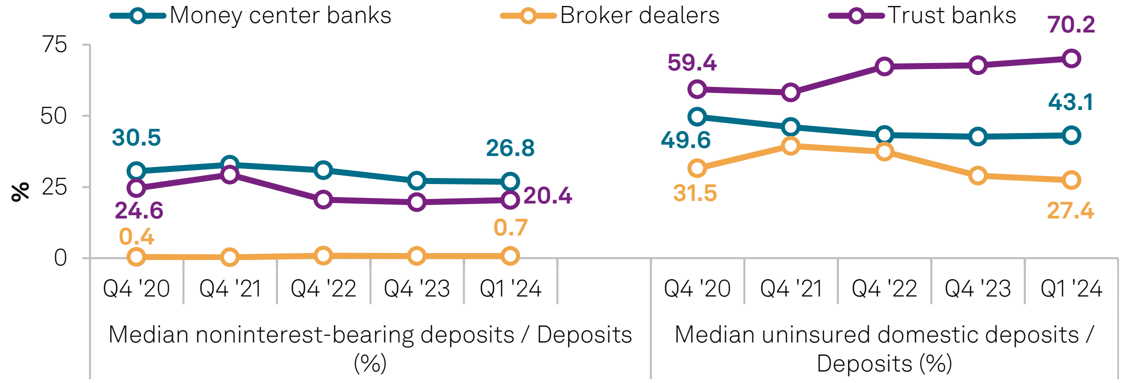
Deposits Continued Growing In Q1, Notably At The Trust Banks

U.S. GSIBs: deposit trends

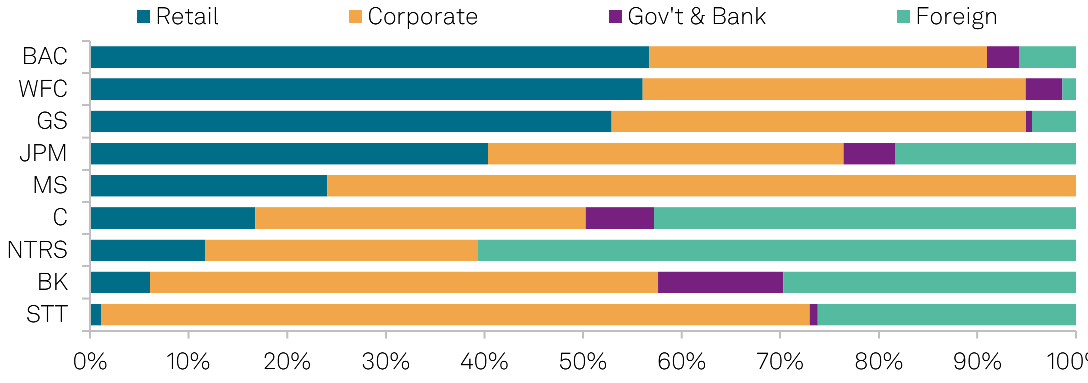


- Customers continue to migrate to higher-yielding alternatives including interest-bearing deposits, replacing their noninterest-bearing deposits.
- We expect some further growth in deposits this year with continued rotation into interest-bearing accounts and certificates of deposits (CD) until rate cuts start.
- The trust banks have concentrated deposit bases, with a high proportion of uninsured deposits, but most of those are operational deposits.

U.S. GSIBs: deposit metrics trends



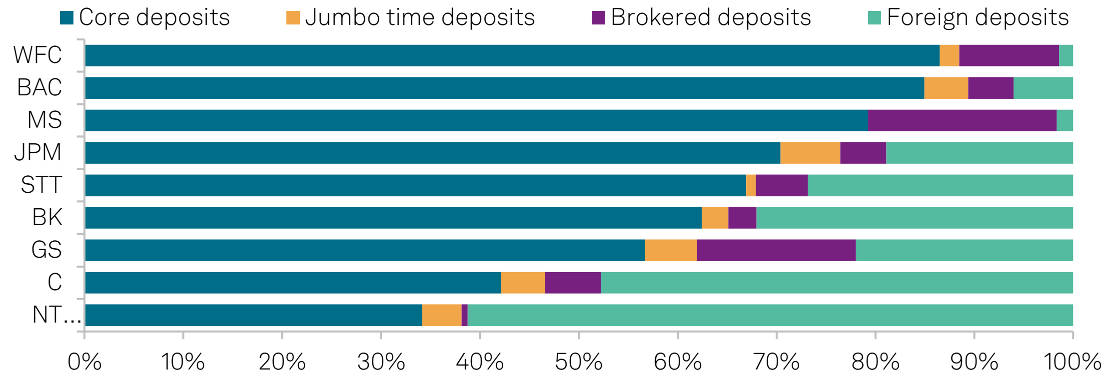
U.S. GSIBs: depositor mix as reported by domestic subs, Q1 2024



Q/Q--Quarter over quarter. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, S&P Global Ratings and S&P Cap IQ Pro. Sources: Company filings and S&P Cap IQ Pro.

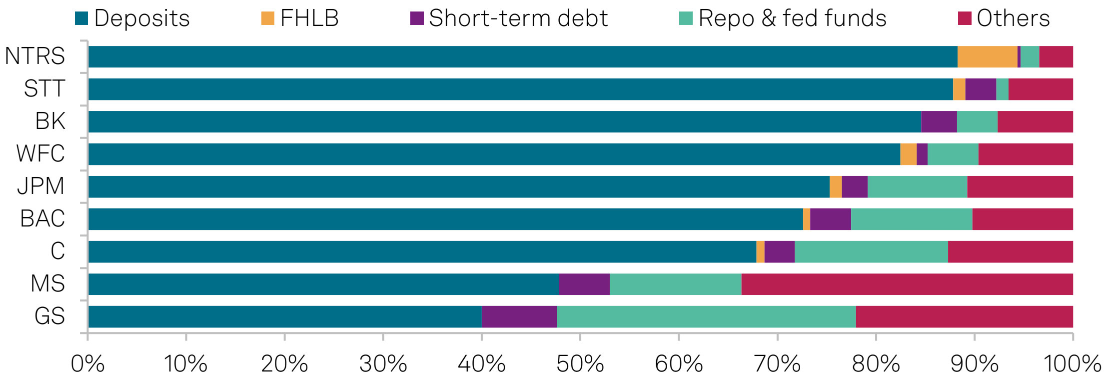
Funding Metrics Continue To Weaken But Are Still In Good Shape

U.S. GSIBs: deposit mix, Q1 2024

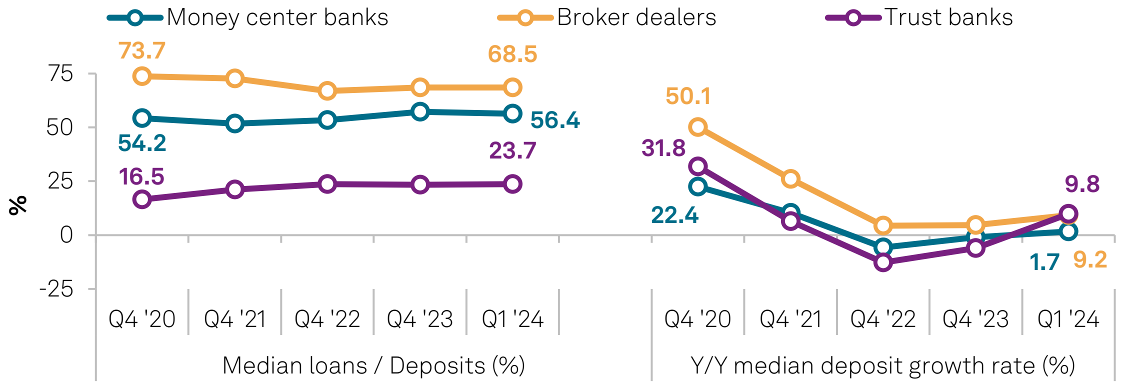


- Core deposits as a percentage of total GSIB funding remain slightly higher than pre-pandemic levels.
- Brokered deposits and other borrowings as a percentage of funding have started to increase for most GSIBs.
- We expect the loans-to-deposits ratio will climb further, although it remains below pre-pandemic levels for most GSIBs.

U.S. GSIBs: funding mix, Q1 2024



U.S. GSIBs: funding metrics trends

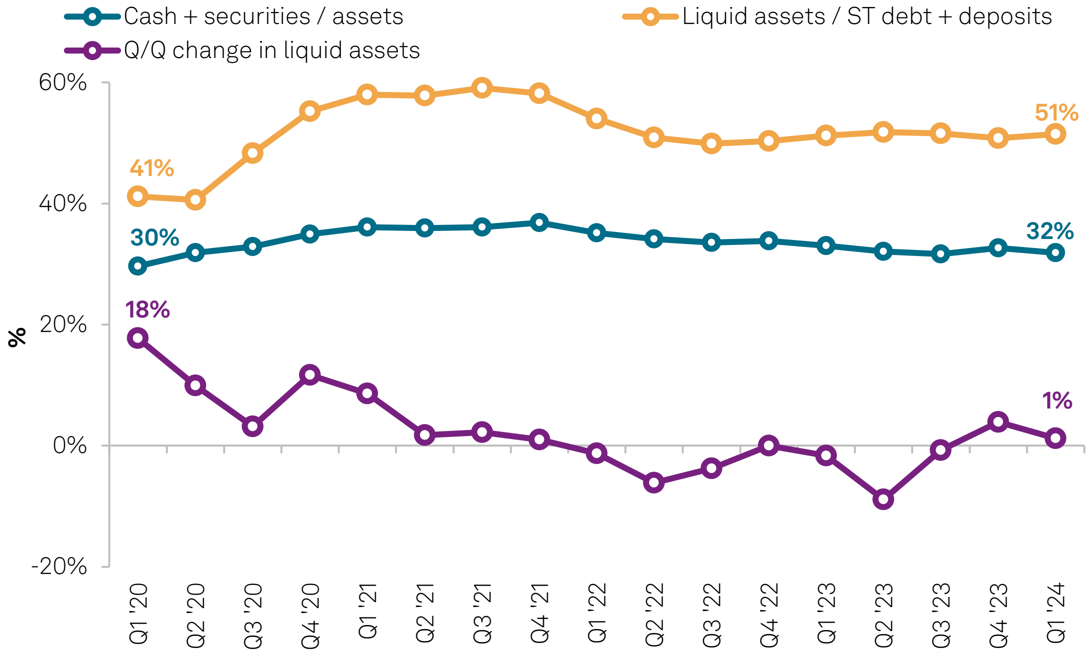


Core deposits=Deposits less brokered, jumbo, and foreign deposits. FHLB--Federal home loan banks. Short-term debt = Commercial paper + fed funds purchased + repo + other short-term borrowings. Y/Y--Year over year. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, S&P Global Ratings and S&P Cap IQ Pro. Sources: Company filings and S&P Cap IQ Pro.

Balance-Sheet Liquidity Holding Steady At Historically Strong Levels

- Liquid assets account for a meaningful portion of balance sheets, with cash and securities forming nearly one-third of total assets.
- The proportion of liquid assets remains elevated, partly because GSIBs shored up on-balance sheet resources as a cushion against market volatility.
- Banks continue to closely manage liquidity, in part by bolstering contingent sources of funding.

U.S. GSIBs: liquidity metrics trends



U.S. GSIBs: liquidity metrics, Q1 2024

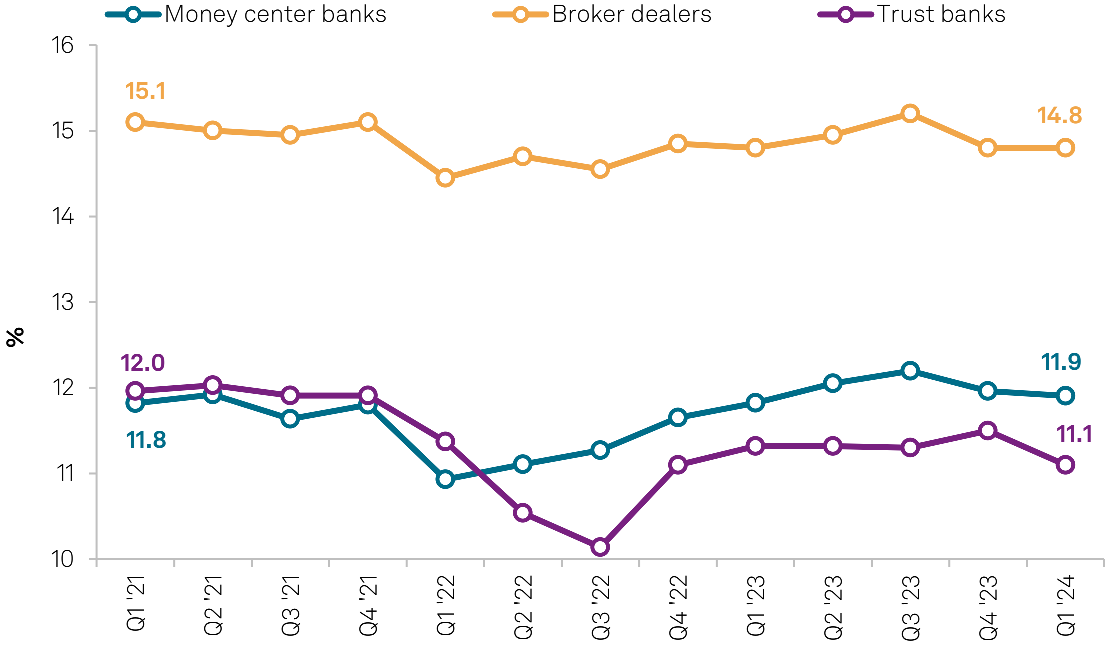
(%)	LCR	NSFR*	Liquid assets / ST debt + Deposits	Cash + Sec. / Assets	Cash / Assets	Pledged sec. / Sec.	Pledged loans / Loans
BAC	113	120	42.9	37.3	20.9	25.2	42.9
C	117	120	32.7	32.1	45.9	42.1	32.7
JPM	112	121	36.0	27.7	17.3	53.1	36.0
WFC	126	127	23.0	34.0	80.2	50.3	23.0
MS	125	120	47.0	19.1	3.1	22.1	47.0
GS	127	116	37.1	19.8	15.2	3.6	37.1
BK	117	135	43.4	62.9	91.4	18.0	43.4
STT	107	136	55.6	68.2	80.1	33.7	55.6
NTRS	107	119	48.2	61.6	66.5	22.4	48.2

*Data as of three months ended Dec. 31, 2023. LCR--Liquidity coverage ratio. NSFR--Net stable funding ratio. Liquid assets = Cash + unpledged securities (AFS + HTM) + fed funds sold. Short-term Debt = Commercial paper + fed funds purchased + repo + other short-term borrowings. Q/Q--Quarter over quarter. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

Capital Ratios Relatively Unchanged For Most GSIBs In Q1

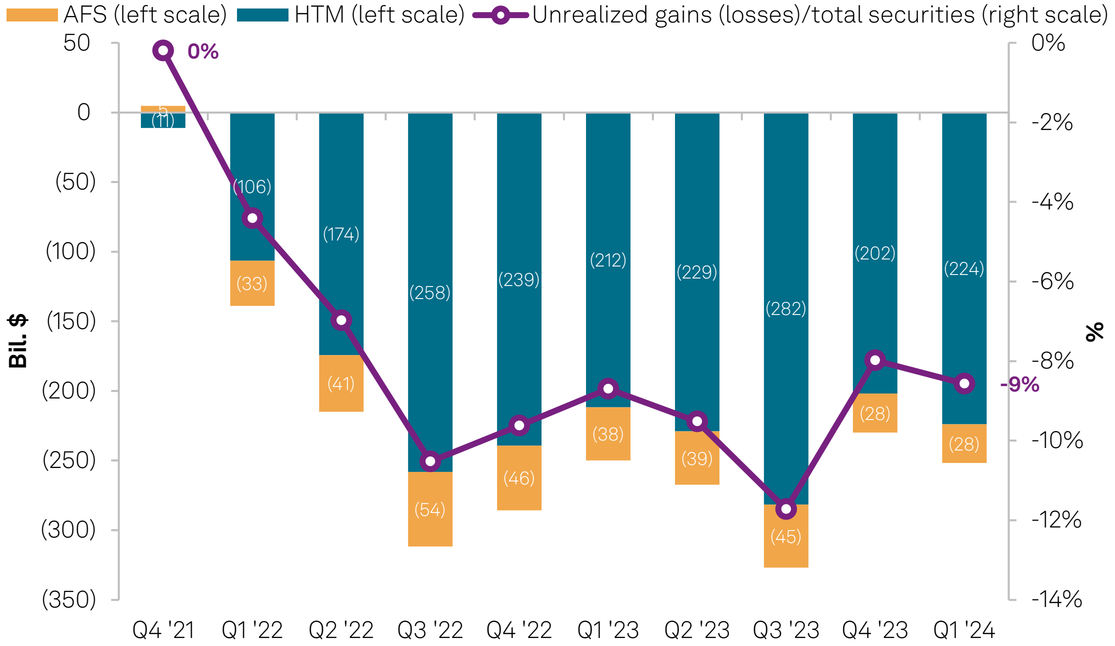
- Unrealized losses on securities increased modestly in Q1 as long-term rates--including mortgage rates--rose, but they remain below their peak.
- Still, GSIBs have meaningful unrealized losses on their held-to-maturity (HTM) securities. If we adjust capital for unrealized losses on HTM securities, the tangible common equity-to-tangible assets (TCE/TA) ratio would be meaningfully lower.
- We expect unrealized losses will hinge on the level of long-term rates and the duration of banks' securities portfolios.

U.S. GSIBs: average CET1 ratio trends



CET1--Common equity Tier 1. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

U.S. GSIBs: unrealized gains (losses) on securities



The data is aggregate of the U.S. GSIBs. AFS--Available for sale. HTM--Held to maturity. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

S&P Global Ratings

GSIB Capital Will Hinge On Basel III Finalization & The Fed's Stress Test

- The regulatory capital ratios of most of the nine category I and II banks did not change materially in the first quarter.
- The Basel III endgame proposal to strengthen capital requirements for large banks could result in higher minimum capital requirements, though there is uncertainty about when and how it will be implemented.
- GSIBs have healthy buffers over their current minimum requirements, inclusive of their stress capital buffers (SCBs) and updated GSIB surcharges.

U.S. GSIBs: common equity tier 1 ratio--Basel III fully phased in

	Q1 2024		Q4 2023		Q/Q change (bps)		Adv. / Std. (lower of the two) Q1 2024	Stress Capital Buffer (SCB)*	Std. CET1 minimum requirement	Current CET1 surplus (deficit) over (under) minimum requirement
(%)	Std.	Adv.	Std.	Adv.	Std.	Adv.				
BAC	11.9	13.4	11.8	13.4	10	0	S	2.5	10.0	1.9
C	13.5	12.0	13.4	12.1	10	-10	A	4.3	12.3	1.2
JPM	15.0	15.3	15.0	15.0	0	30	S	2.9	11.9	3.1
WFC	11.2	12.4	11.4	12.6	-20	-20	S	2.9	8.9	2.3
MS	15.0	15.4	15.2	15.5	-20	-10	S	5.4	12.9	2.1
GS	14.6	15.9	14.4	14.9	20	100	S	5.5	13.0	1.6
BK	10.8	11.1	11.9	11.5	-110	-40	S	2.5	8.5	2.3
STT	11.1	11.7	11.6	12.1	-50	-40	S	2.5	8.0	3.1
NTRS	11.4	13.5	11.4	13.4	0	10	S	2.5	7.0	4.4

*Stress capital buffer (SCB) from June 2023 DFAST results. New SCB effective Oct. 1, 2023. GSIB--Global systematically important bank. CET1--Common equity Tier 1 ratio. Sources: Company filings, S&P Global Ratings, the Federal Reserve Board, and S&P Cap IQ Pro.

Trust Banks

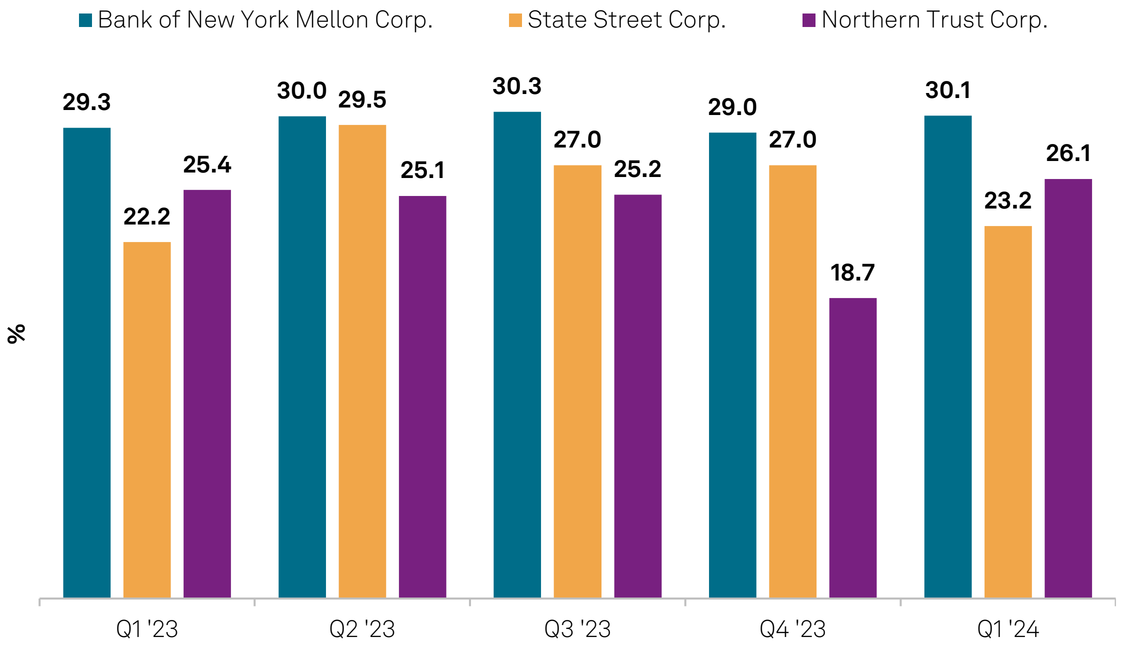
Trust Banks' Performance Highlights Benefits Of Specialized Business Models

- Despite persistent inflation and a potential slowdown in the economy, we believe the trust banks face more limited credit risks than commercial banks, because lending is ancillary to their core businesses.
- With financial markets activity remaining elevated, trust banks should benefit from robust fee income.
- As such, excluding one-off items, profitability should remain solid for the trust banks, including pretax operating margins of at least 25%.

Trust banks: balance sheet mix, Q1 2024

BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

Trust banks: quarterly pretax margin trends

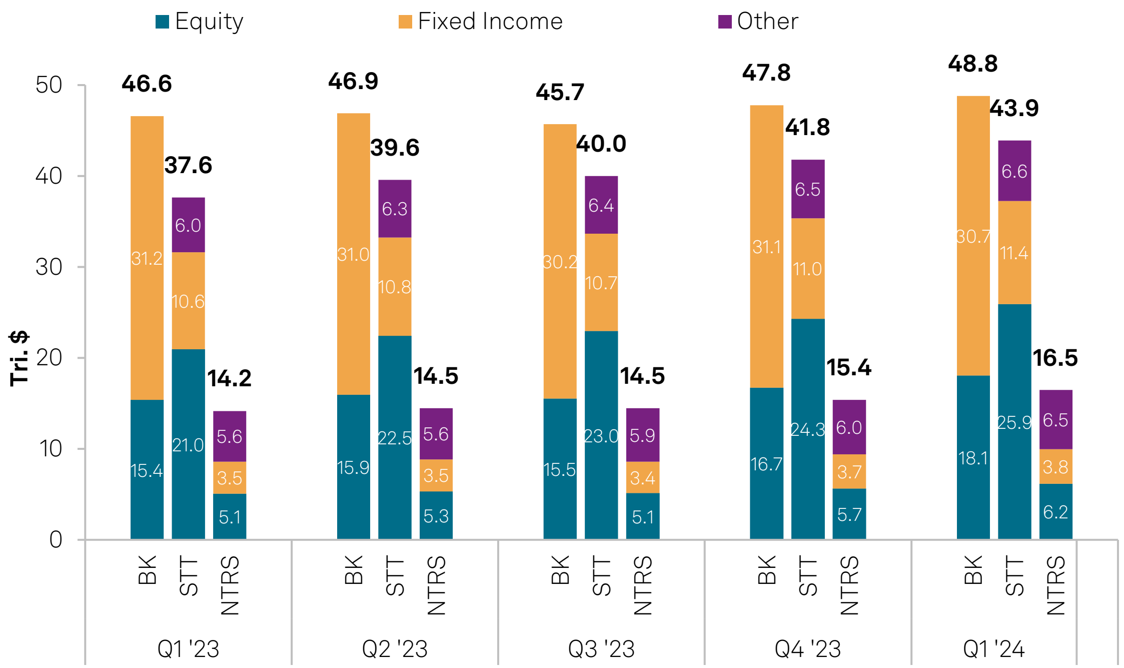


Note: Pretax margins are adjusted and exclude one-off items. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

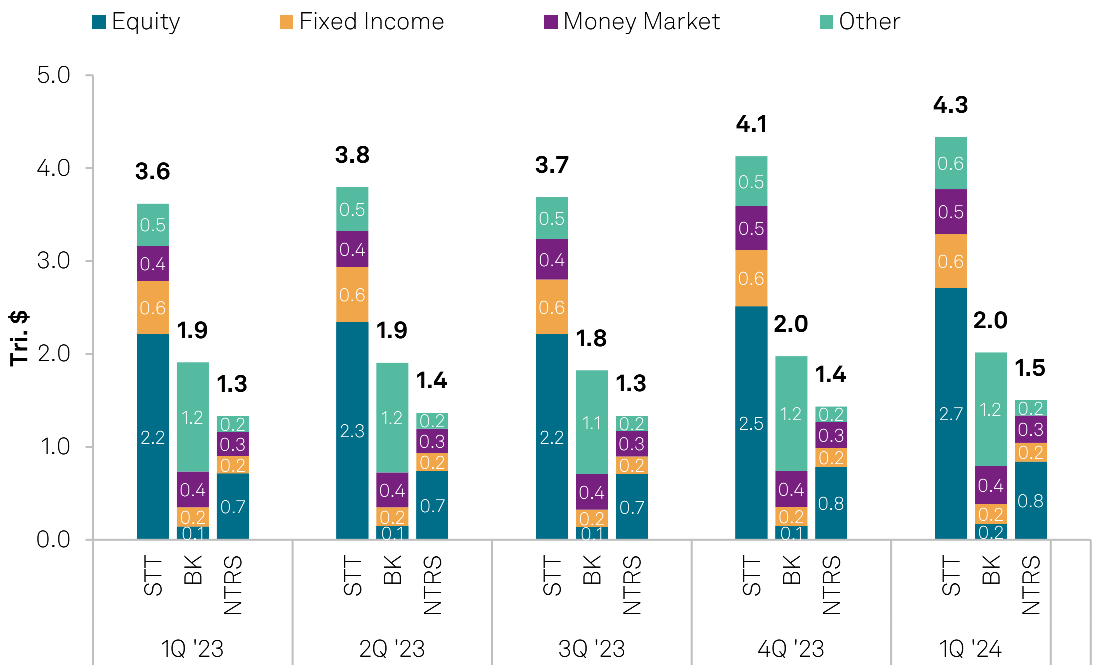
Fiduciary Activity Continues To Grow On Favorable Market Conditions

- Assets under custody and/or administration (AUC/A) and assets under management (AUM) generally benefited from higher market values and client inflows.
- The trust banks' predominant source of revenue--asset servicing fees--benefited from net higher AUC/A and AUM.

Assets under custody and/or administration (AUC/A) trends



Assets under management (AUM) trends

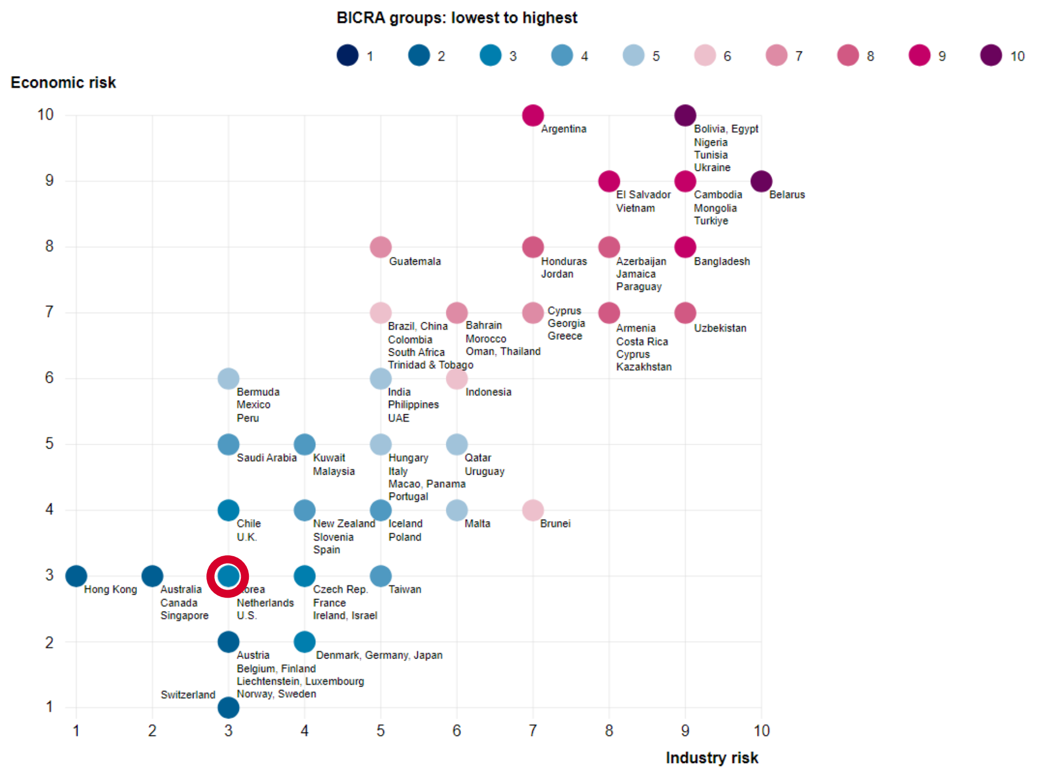


BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings and S&P Global Ratings.

BICRA Trend And Ratings

U.S. BICRA Is On Stable Trend

Global BICRA Comparison



Source: S&P Global Ratings.

We score our BICRA (Banking Industry Country Risk Assessment) on a scale from '1' to '10', ranging from the lowest-risk banking systems (group 1) to the highest-risk (group 10). Data as of Jan. 30, 2024. Source: S&P Global Ratings.

- We classify the U.S. banking sector in group '3' under our Banking Industry Country Risk Assessment (BICRA).
- Economic risk score and trend: **'3' and stable**
- Industry risk score and trend: **'3' and stable**
- We do not expect to revise up the 'bbb+' anchor--the starting point for our ratings on banks in the U.S.--in the next two years.
- The U.S.'s diversified, high-income, and resilient economy underpins our assessment of economic risk, which we consider to have a stable trend.
- The trend on industry risk is stable, reflecting further enhancements to regulation that are likely to follow the bank failures of 2023, a declining but still high share of deposit funding, and our expectation that banks will continue to generate sufficient risk-adjusted profits to build capital.

U.S. GSIBs | Ratings Snapshot

- Excluding JPMorgan, all our ratings on the GSIBs have stable outlooks, reflecting continued good performance and resilience.
- In April 2024, we affirmed our ratings and revised the outlook on JPMorgan to positive from stable on its franchise strength and ability to deliver solid results.

Company	Anchor	Business position	Capital and earnings	Risk Position	Funding and liquidity	Comparable ratings adjustment	SACP	Type of support	No. of notches	OpCo ICR	HoldCo ICR
Bank of America Corp.	bbb+	Strong	Adequate	Strong	Adequate & adequate	0	a	ALAC	+1	A+/Stable/A-1	A-/Stable/A-2
Citigroup Inc.	bbb+	Strong	Adequate	Adequate	Adequate & adequate	0	a-	ALAC	+2	A+/Stable/A-1	BBB+/Stable/A-2
JPMorgan Chase & Co.	bbb+	Very strong	Adequate	Adequate	Adequate & adequate	0	a	ALAC	+1	A+/Positive/A-1	A-/Positive/A-2
Wells Fargo & Co.	bbb+	Strong	Adequate	Adequate	Adequate & adequate	0	a-	ALAC	+2	A+/Stable/A-1	BBB+/Stable/A-2
Morgan Stanley	bbb+	Strong	Strong	Adequate	Adequate & adequate	0	a	ALAC	+1	A+/Stable/A-1	A-/Stable/A-2
The Goldman Sachs Group Inc.	bbb+	Strong	Adequate	Moderate	Adequate & adequate	+1	a-	ALAC	+2	A+/Stable/A-1	BBB+/Stable/A-2
Bank of New York Mellon Corp.	bbb+	Very strong	Adequate	Strong	Adequate & strong	0	a+	ALAC	+1	AA-/Stable/A-1+	A/Stable/A-1
State Street Corp.	bbb+	Very strong	Adequate	Strong	Adequate & strong	0	a+	ALAC	+1	AA-/Stable/A-1+	A/Stable/A-1
Northern Trust Corp.	bbb+	Very strong	Adequate	Very strong	Adequate & strong	0	aa-	None	0	AA-/Stable/A-1+	A+/Stable/A-1

Ratings as of May 24, 2024.

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Selected **Key Publications**

Click to see the following research articles, or find more at www.SPRatings.com/nabanking

- U.S. Banks Webinar Q1 2024 Slides: Pockets Of Weakness And Strength
- Your Three Minutes In Fintech: U.S. Banking Regulators Ramp Up Scrutiny Of Third-Party Partnerships
- Capital Markets Revenue Could Improve In 2024 On Rebounding Investment Banking, Though High Rates May Still Hamper Results
- Comparative Statistics: U.S. Banks (April 2024)
- Rating Component Scores For U.S., Canadian, And Bermudian Banks (March 2024)
- Some U.S. Regional Banks Could Face Higher Risk If Commercial Real Estate Asset Quality Worsens
- Outlooks On Five U.S. Regional Banks Revised To Negative From Stable On Commercial Real Estate Risks; Ratings Affirmed
- How Our Bank Ratings Consider Interest Rate Risk In The Banking Book
- CreditWeek: What Have We Learned In The Year Since SVB Triggered Turmoil In The Banking Sector?
- CFBP's Final Rule On Credit Card Late Fees Could Hurt Card Issuer Earnings But Will Be Manageable For Most
- U.S. Regional Banks 4Q 2023 Update: Regional Banks Fortify Balance Sheets As Challenging Operating Conditions Persist
- U.S. GSIBs Q4 2023 Update: A Tough Year Weathered As New Challenges Await

Subgroups of **GSIBs**

Money center banks

- Bank of America Corp.
- Citigroup Inc.
- JPMorgan Chase & Co.
- Wells Fargo & Co.

Broker-dealers

- Morgan Stanley
- The Goldman Sachs Group Inc.

Trust banks

- The Bank of New York Mellon Corp.
- State Street Corp.
- Northern Trust Corp.

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