S&P Global
Ratings

U.S. GSIBs Q2 2024 Update: Well Positioned For Lower Rates

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.)

Aug. 27, 2024

This report does not constitute a rating action

Key Forecast

Assuming continued economic growth, GSIBs may post good profitability in 2024 despite expected rate cuts.

Revenue and profitability

Net interest income (NII) stabilized in the second quarter but may fall if the Fed begins cutting rates in September, unless earning asset growth accelerates.

Fee income growth may offset NII decline, with lower rates supporting mortgage and investment banking (if credit spreads remain favorable) and wealth and asset management (if market valuations remain high).

Profitability should remain reasonably strong.

Capital ratios

Following the Fed's 2024 stress test, most GSIBs face an increase in capital requirements. We think most GSIBs will, at least, maintain current capital levels, mainly on caution about the economy and the Basel III endgame proposal.

Consequently, we expect capital distributions will be measured until the proposal is finalized.

Lower rates may lead to a drop in unrealized losses, relieving some pressures on the capital ratios.

Asset quality

We expect delinquencies and charge-offs to gradually rise amid relatively higher rates, below-potential economic growth, stress in commercial real estate (CRE), and declining consumer savings.

We are particularly watching price declines and maturities in CRE and the rise in credit card loans. We expect provisions for credit losses to increase.

Overall, we believe asset quality pressure will increase but remain manageable.

Funding and liquidity

Deposits fell in the second quarter, and growth will likely be limited until the Fed begins easing monetary policy.

We would expect some improvement in deposit growth if the Fed further slowed or halted quantitative tightening. That could also support liquidity.

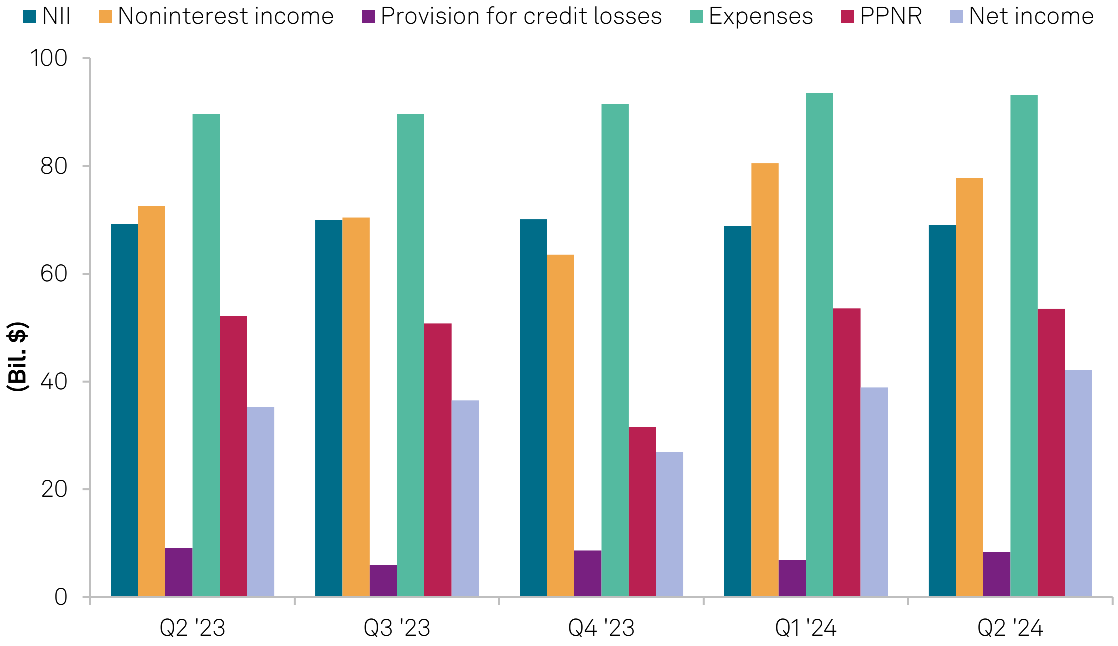
GSIBs are likely to maintain good contingent liquidity, although many still have sizable unrealized losses on their securities.

Second-Quarter 2024 Results

Earnings Rose On Stabilizing Net Interest Income, Buttressed By Robust Fee Income

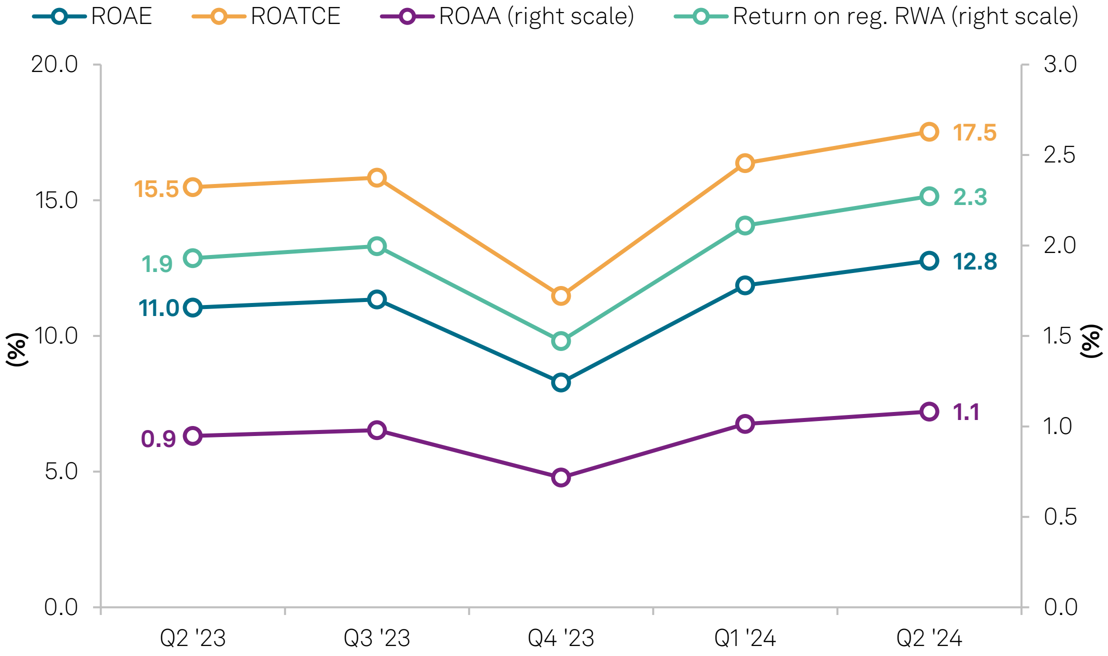
- Earnings rose from the prior quarter as NII stabilized and expenses decreased as one-off items--such as FDIC special assessment fees--receded, partly offset by higher provisions. Relative to second-quarter 2023, earnings benefited from higher fee income and lower provisions, partly offset by higher expenses.
- Noninterest income declined from the prior quarter but remain a strong contributor to GSIB earnings, underscoring the benefits of their diversified revenue streams.
- Adjusting for one-off items, GSIBs reported strong earnings, with a return on average equity (ROAE) of 12.8% in the second quarter.

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, Q1 2024, and Q2 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, Q1 2024, and Q2 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 Held Steady In Q2 On Earning Assets Growth

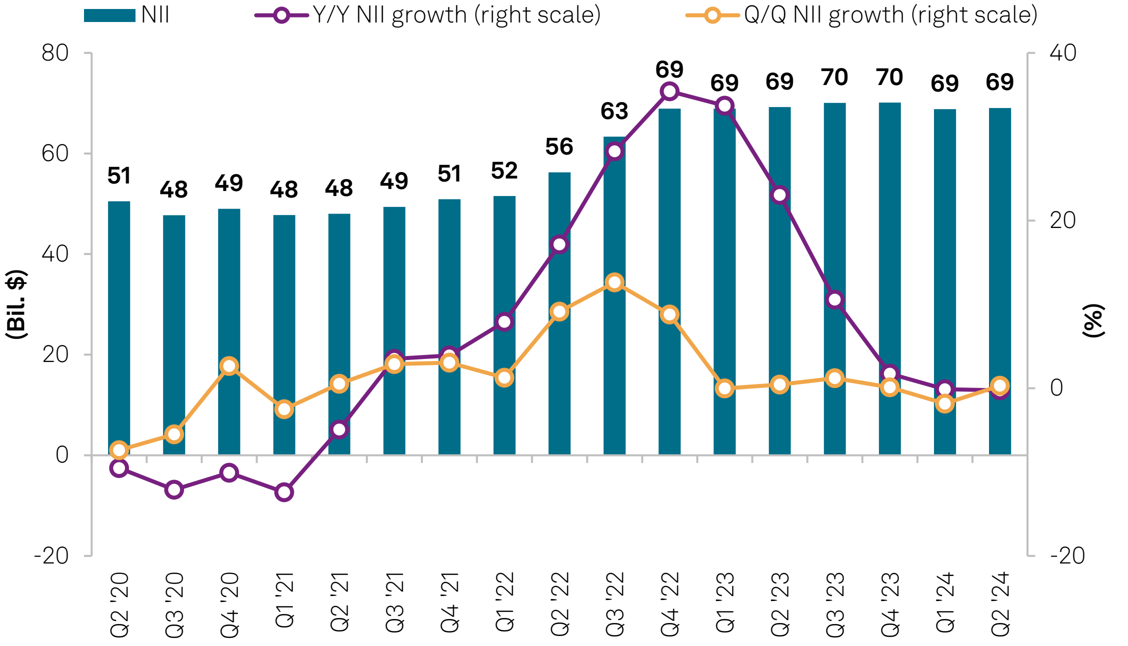
- GSIBs redeployed their excess cash in earning assets, which aided NII. Still, NII was down modestly year over year as funding costs continued to rise.
- Loan growth was a mixed story. While credit card and commercial loans (particularly loans to nonbanks) grew, retail loans, including mortgages, fell. We expect limited further loan growth in 2024, partly due to more conservative borrower demand and relatively tight lending standards.
- A cut in rates could lead to modest pressure on net interest margins (NIMs) and NII, unless earning asset growth accelerates.

Money center banks: loan growth, Q2 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	0.6	0.5	0.3	(0.4)	1.0	2.5	(0.5)	(0.3)	(3.1)	5.2	1.2	0.4
C	2.1	2.9	1.1	5.8	2.3	6.0	(0.4)	(15.8)	2.2	(0.3)	3.1	6.0
JPM	0.8	1.6	(1.7)	(4.7)	4.5	13.0	(1.3)	1.8	0.4	0.8	1.1	0.9
WFC	(0.3)	(3.0)	(1.0)	(3.8)	3.3	12.7	(0.6)	(6.8)	(1.8)	(5.9)	0.1	(2.7)
Median	**0.7**	**1.1**	**(0.4)**	**(2.1)**	**2.8**	**9.3**	**(0.6)**	**(3.6)**	**(0.7)**	**0.2**	**1.2**	**0.6**

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: net interest income (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.

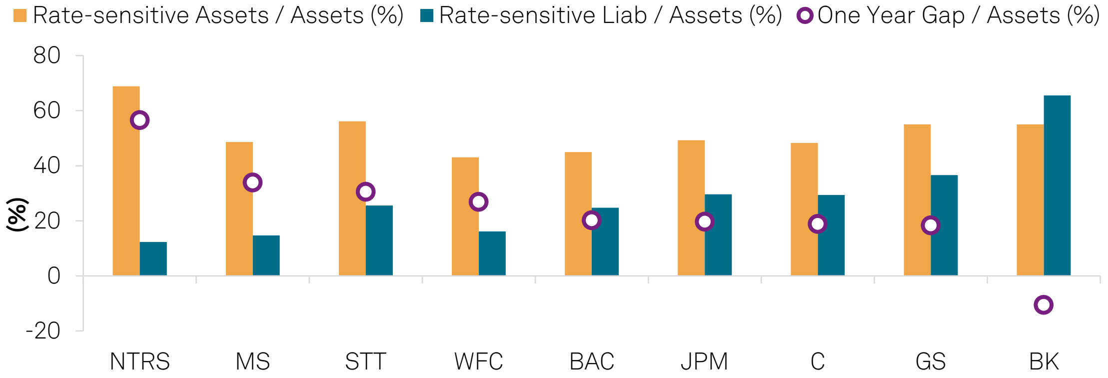
Net Interest Margins Declined Further And Will Be Strained When Rates Are Cut

U.S. GSIBs: NII drivers, Q2 2024

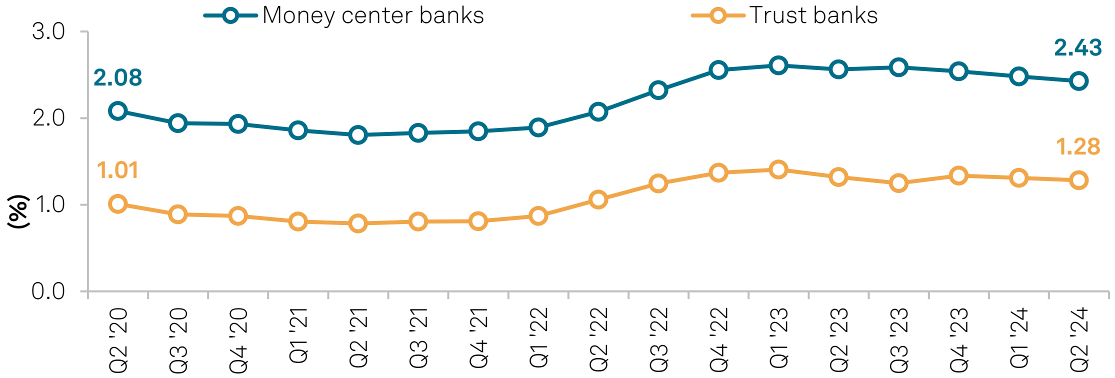
	Full cycle deposit beta (%)	Change in cost of deposits (bps)		Change in cost of interest-bearing liabilities (bps)		Change in yield on earning assets (bps)		Change in net interest margin (bps)	
		Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y
BAC	42.9	13	96	10	65	3	45	(6)	(13)
C	59.1	1	62	(5)	81	(6)	60	(1)	(7)
JPM	42.8	5	66	8	63	2	56	(9)	0
WFC	39.1	12	83	9	80	1	37	(6)	(34)
BK	66.9	1	61	19	157	18	147	(4)	(5)
STT	64.1	(8)	61	(1)	75	4	75	0	(6)
NTRS	67.9	2	84	12	262	10	224	(4)	0
Median	**59.1**	**2**	**66**	**9**	**80**	**3**	**60**	**(4)**	**(6)**

- GSIBs reported declines in NIMs--both from the prior quarter and year over year--as funding costs continue to outpace asset yields.
- Higher deposit pricing, higher funding costs, and a continued deposit mix shift hurt NIMs.
- Earning asset growth also weighed on NIMs as the majority of asset growth was in low-yielding securities.
- With the Fed's rate cuts looming, we believe deposit betas may have peaked in the second quarter--higher than their peak in the last cycle.

U.S. GSIBs: interest rate sensitivity, Q2 2024



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

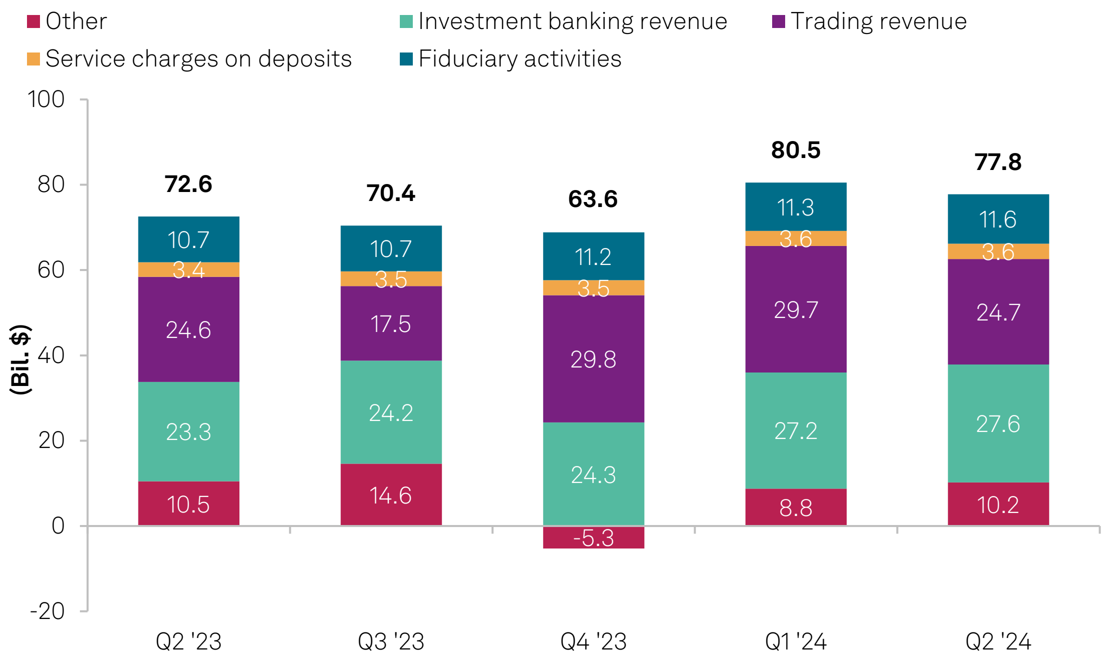


Full-cycle deposit beta is calculated as the change in the cost of deposits from Q2 2022 to Q2 2024 divided by the change in the average effective fed funds rate from Q2 2022 to Q2 2024. One-year gap ratio is the percentage of net rate sensitive assets / liabilities maturing or repricing within one year 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 Fell Modestly From A Strong Q1 But Remains Robust

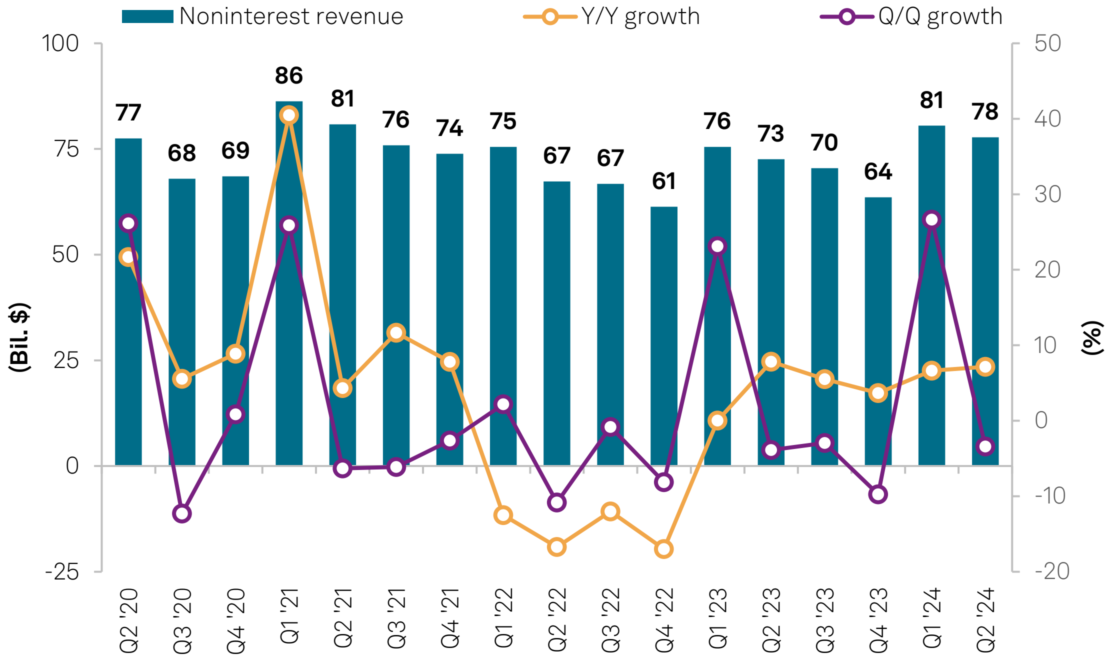
- Favorable market conditions supported investment banking revenue while asset and wealth management revenue benefited from higher asset values amid market lift.
- However, high interest rates are still limiting mortgage banking and certain other fee income sources.
- The trajectory of noninterest revenue will depend on economic activity, asset valuations, interest rates, and other factors in 2024.

U.S. GSIBs: noninterest revenue mix and 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

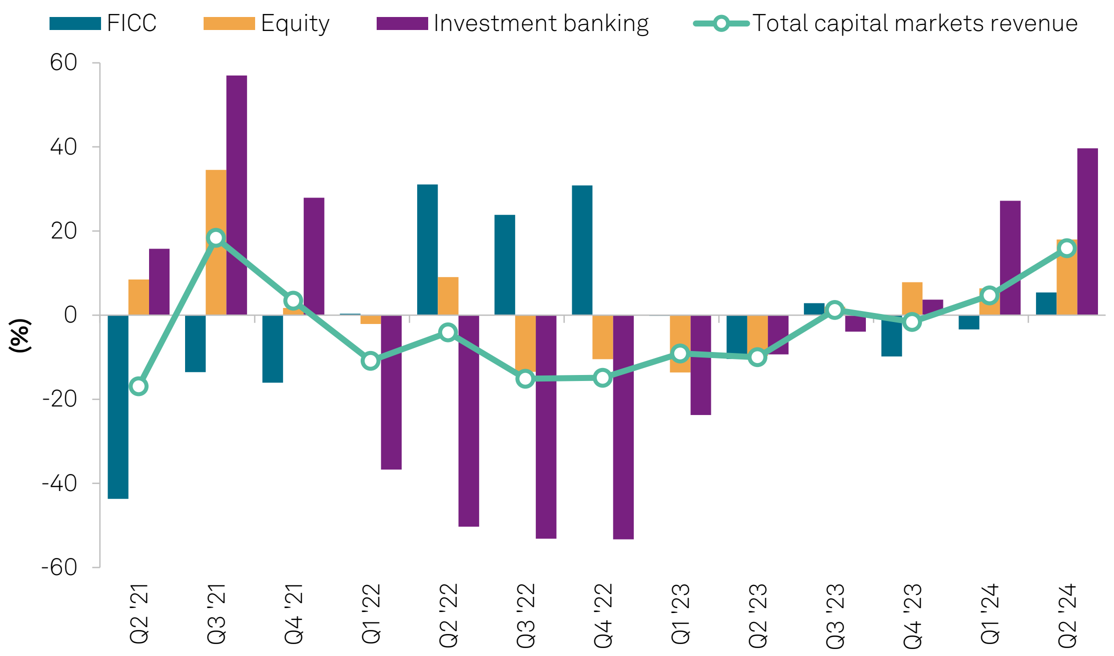


The data is aggregate of the U.S. GSIBs. Y/Y--Year over year. Q/Q--Quarter over quarter. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

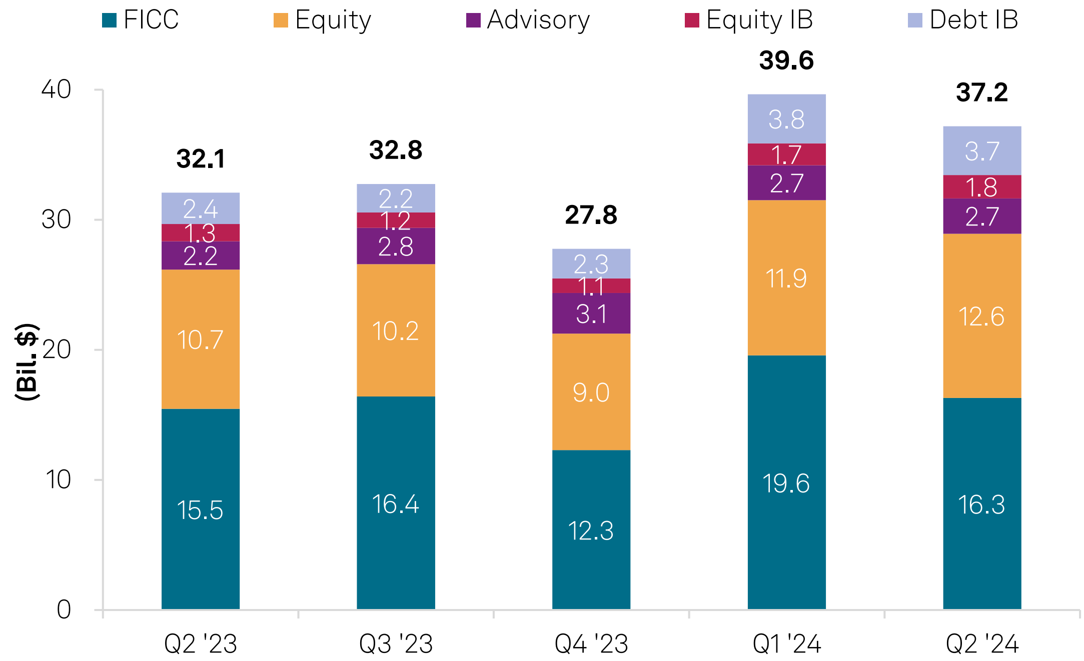
Capital Market Activity Was Down From Q1 But Up Year Over Year

- GSIBs posted higher capital markets revenue year over year in Q2, benefiting from economic resilience and tighter spreads, which boosted underwriting.
- We expect capital markets revenue, after declining modestly in 2023, 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. Revenue from fixed income, currencies, and commodities (FICC) trading, however, won't be quite as strong as it was last year, in our view.

Year-over-year change in capital markets revenue



Quarterly capital markets revenue trends



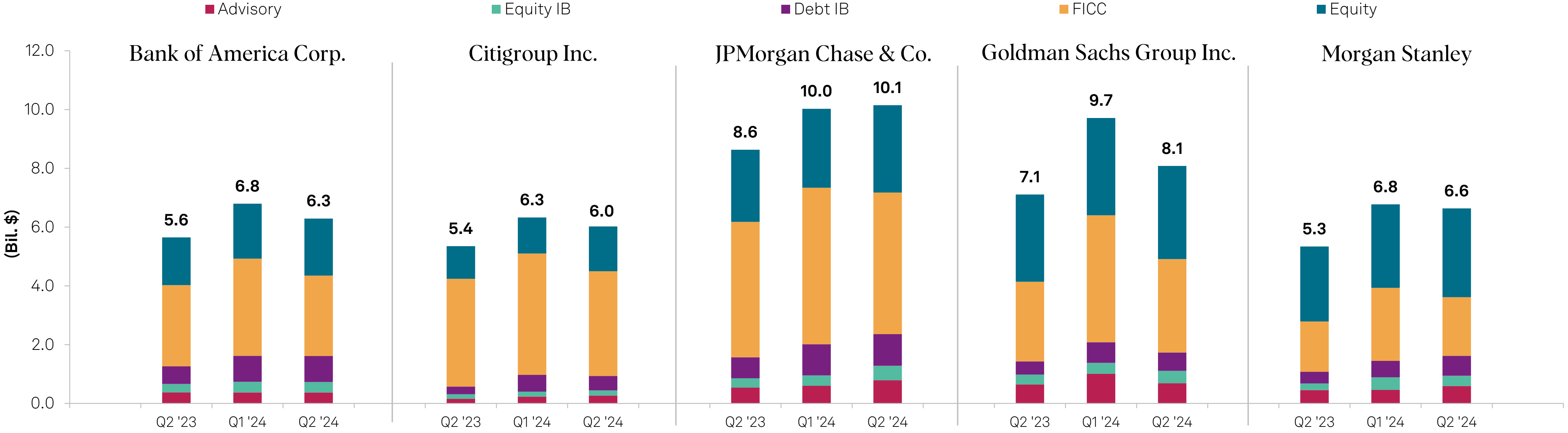
Note: Capital markets data derived by aggregating those on Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, and Morgan Stanley. FICC--Fixed income, currencies, and commodities. IB--Investment banking. Sources: S&P Global Ratings and company filings.

S&P Global Ratings

Investment Banking Activity Continues To Boost Capital Markets Revenue

- Investment banking revenue rose 40% year over year, aided by strong growth in debt (55%) and equity (36%) underwriting as improved market sentiment led to an increase in issuance activity. Although advisory revenue picked up in Q2 (by 6%), it remains under pressure owing to fewer completed deals.
- Trading revenue trends varied. While trading revenue rose year over year, it declined from the first quarter as FICC fell 17% on lower client activity and market volatility. Equity trading increased 6% from first quarter and 18% year over year on higher market values and volumes.

Capital markets revenue by company

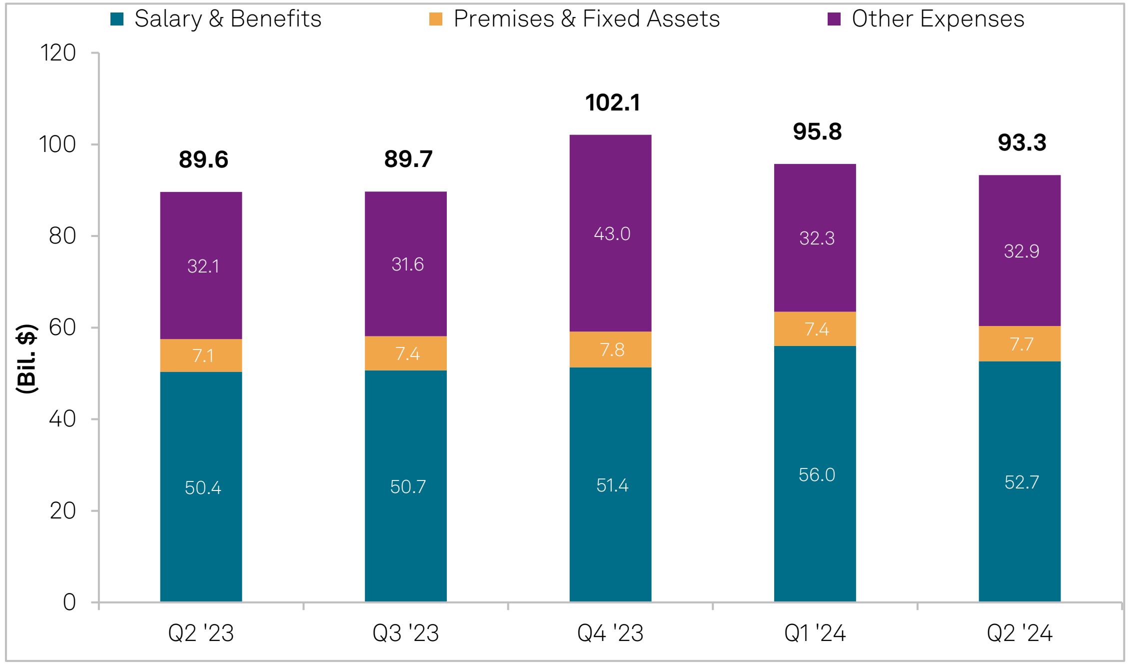


Note: We define capital markets revenues as sum of equity underwriting, debt underwriting, advisory, equity trading, and fixed income, currencies, and commodities trading. FICC--Fixed income, currencies, and commodities. IB--Investment banking.
Sources: Company filings and S&P Global Ratings.

Expenses Were Down From The Prior Quarter As One-Off Items Receded

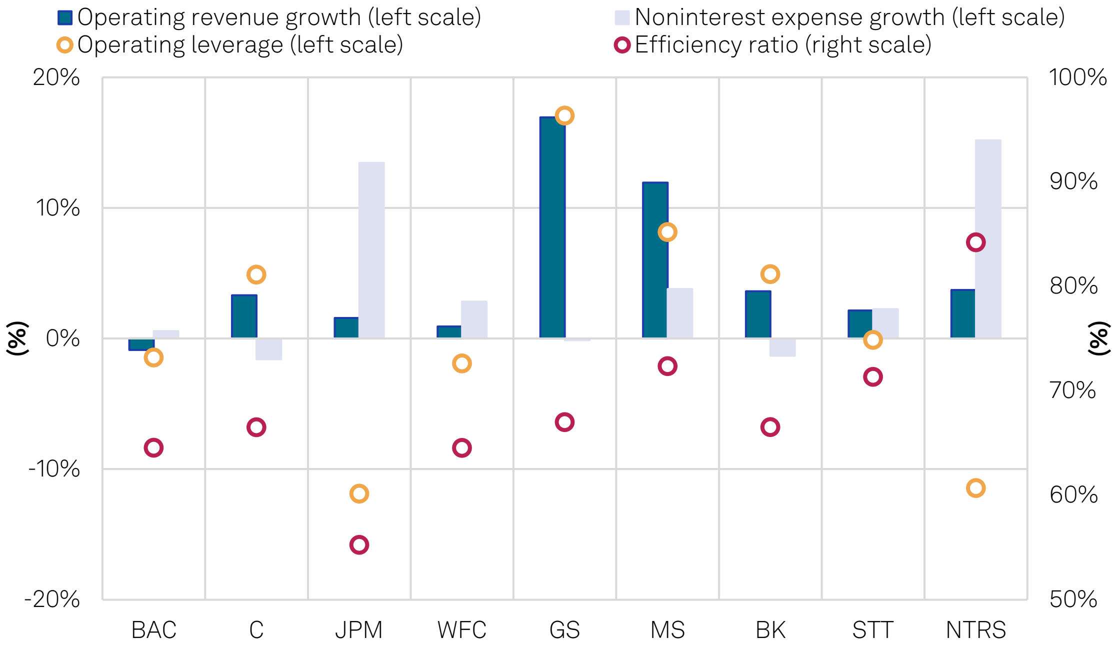
- However, expenses rose year over year on higher investments in compliance and growth--including in fintech and structural expenses--spurred by elevated inflation.
- Some GSIBs reported negative operating leverage in Q2 as lower NII, higher expenses, and other factors weighed on results. For some banks, operating leverage was positive, aided by higher capital markets revenue.
- We expect weakening NII and higher expenses may strain 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, Q2 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

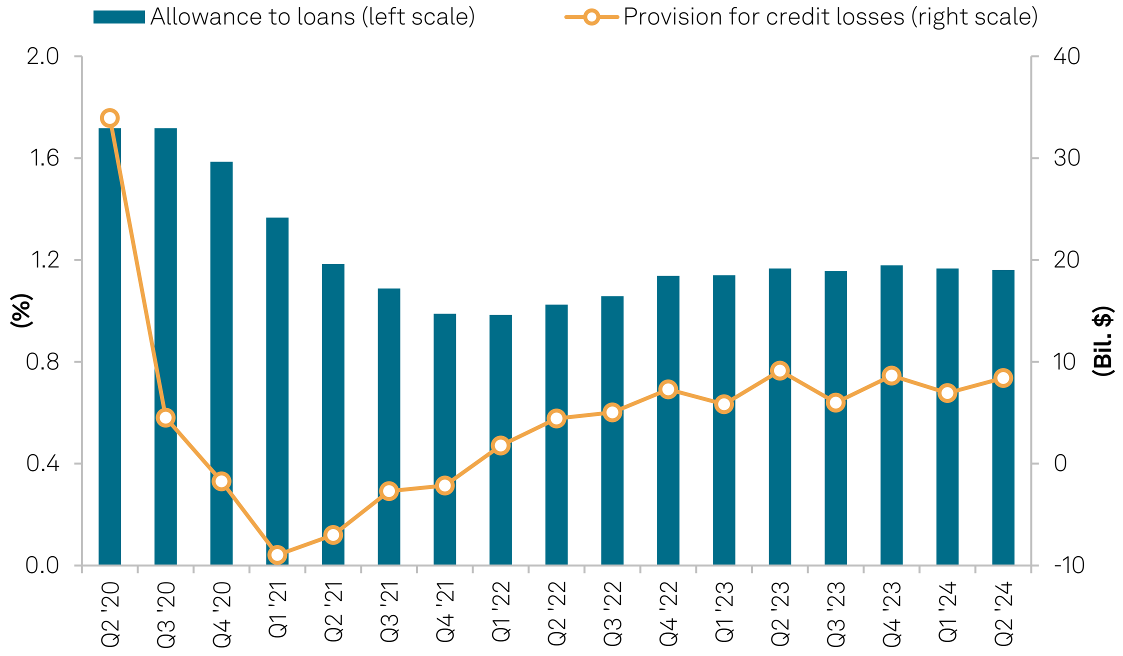
Allowances For Credit Losses Remain Higher Than Day 1 CECL Levels

- Provisions and net charge-offs both rose modestly from the prior quarter, and banks kept allowance levels little changed.
- We estimate GSIBs may need to increase the allowance by nearly one-third, on average, if the downside scenario incorporated in the Current Expected Credit Losses (CECL) accounting method were to materialize.
- We expect the ratio of allowances to loans to rise somewhat further in 2024.

U.S. GSIBs: reserve coverage trends and sensitivity

	Q4 '19				Q2 '24				ACL sensitivity	
	ACL (Bil. $)	Reserve ratio (%)	ACL incl. CECL Day 1 reserves (Bil. $)	CECL Day 1 reserve ratio (%)	ACL (Bil. $)	Reserve ratio (%)	2024 CCAR loan losses (Bil. $)	ACL as a % of CCAR loan losses (%)	ACL in economic downside scenario (Bil. $)	ACL change (%)
BAC*	10.2	1.0	13.5	1.3	14.3	1.3	60.4	23.7	3.8	26.1
C	14.2	2.0	18.4	2.6	19.8	2.8	52.3	37.9	5.0	25.2
JPM	14.3	1.5	18.6	1.9	25.3	1.9	84.3	30.0	N.A.	N.M.
WFC*	10.5	1.1	9.2	1.0	14.8	1.6	55.9	26.5	6.2	41.1
GS	1.8	1.3	2.7	2.0	5.5	2.2	19.9	27.4	0.6	11.0
MS	0.6	0.4	0.6	0.4	1.8	0.7	10.2	17.6	N.A.	N.M.
BK	0.2	0.4	0.2	0.3	0.4	0.5	1.6	22.4	0.1	25.4
STT*	0.1	0.3	0.1	0.3	0.1	0.4	1.4	10.3	0.1	38.9
NTRS*	0.1	0.4	0.1	0.4	0.2	0.5	3.3	6.0	0.1	59.0

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



N.A.--Not available. N.M.—Not meaningful. ACL--Allowance for credit losses. CECL--Current expected credit loss. CCAR--Comprehensive capital analysis and review. *BAC report ACL in a downside case, but do not explicitly indicate if that case is 100% weighted. The others do. ACL comparisons are as of Q2 '24 for GS, C, and BK. BAC, WFC, STT, and NTRS only report ACL sensitivity at year-end, hence their comparison are as of Q4 '23. Provision for credit losses is the aggregate of the U.S. GSIBs. Sources: Company filings, the Federal Reserve, S&P Global Ratings, and S&P Cap IQ Pro.

Credit Quality Metrics, Despite Normalizing, Held Up In Q2

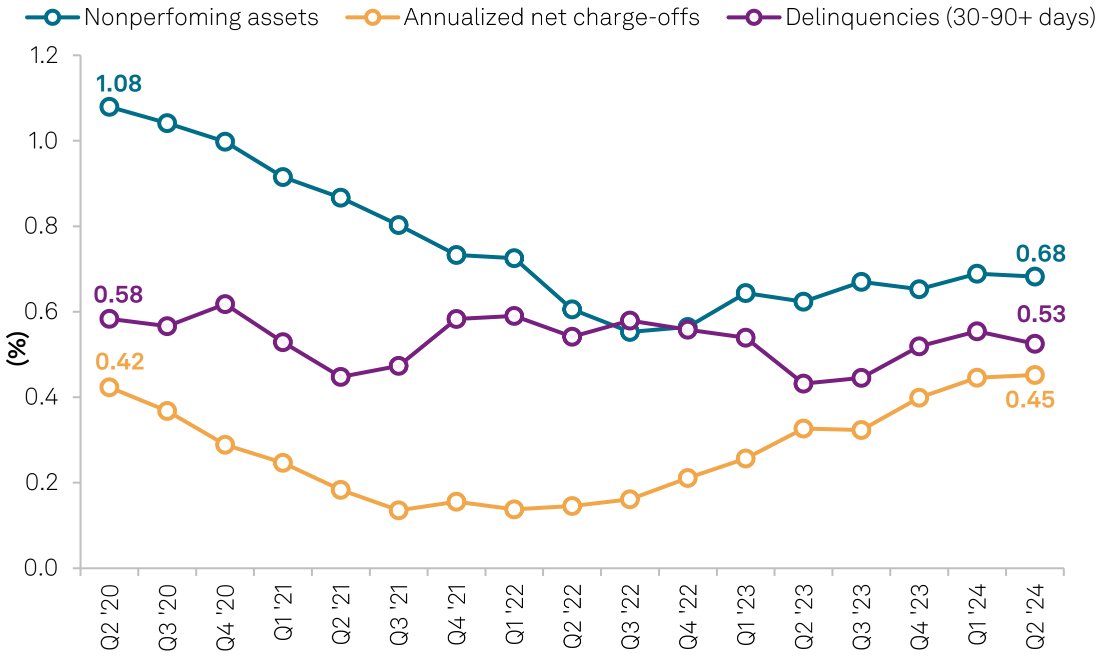
- Still, loss rates were higher year over year.
- Nonperforming and delinquent loans remain low but may inch higher as the credit cycle normalizes.
- With lending standards remaining tight, we expect credit quality will deteriorate moderately, before stabilizing, given the expected rate cuts and the possibility of a soft landing for the economy.

Money center banks: asset quality indicators, Q2 2024

	Nonperforming assets (NPA)*			Net charge-offs (NCO)§			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	0.53	(4)	13	0.58	1	25	1.24	(0)	2	0.33
C	0.33	(8)	(6)	1.33	(1)	43	2.63	(7)	3	(4.06)
JPM	0.64	1	3	0.68	8	22	1.74	3	5	(3.50)
WFC	0.93	5	20	0.56	7	24	1.55	(0)	6	1.06

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

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

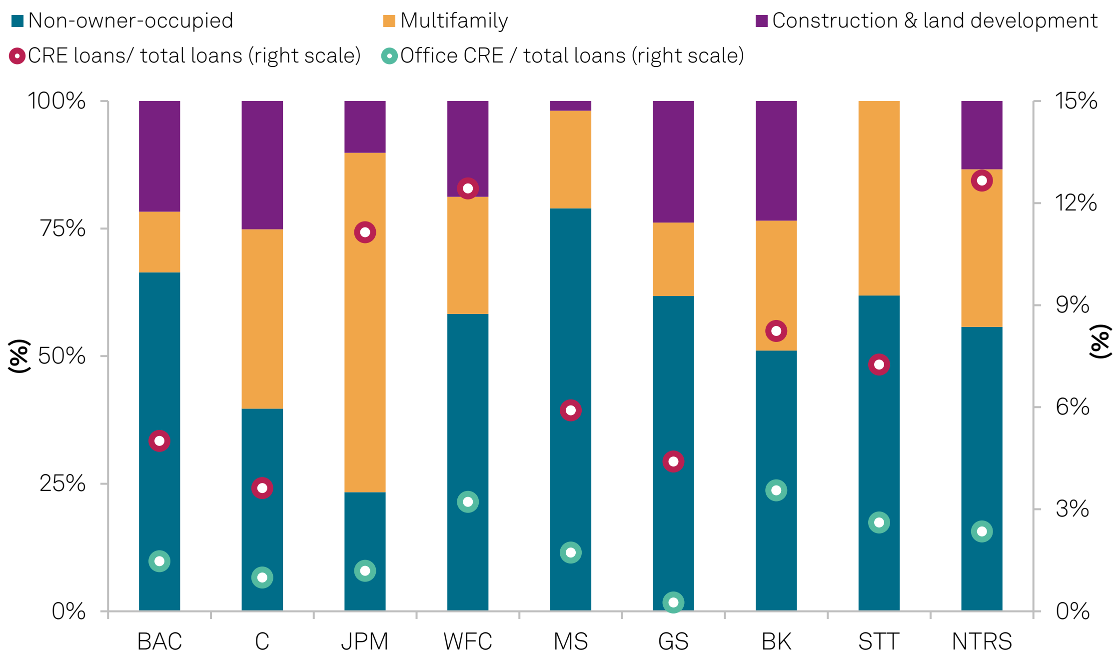


Data is the aggregate of the U.S. GSIBs. Nonperforming assts (NPAs) ratio--NPAs excluding restructured loans/gross loans. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

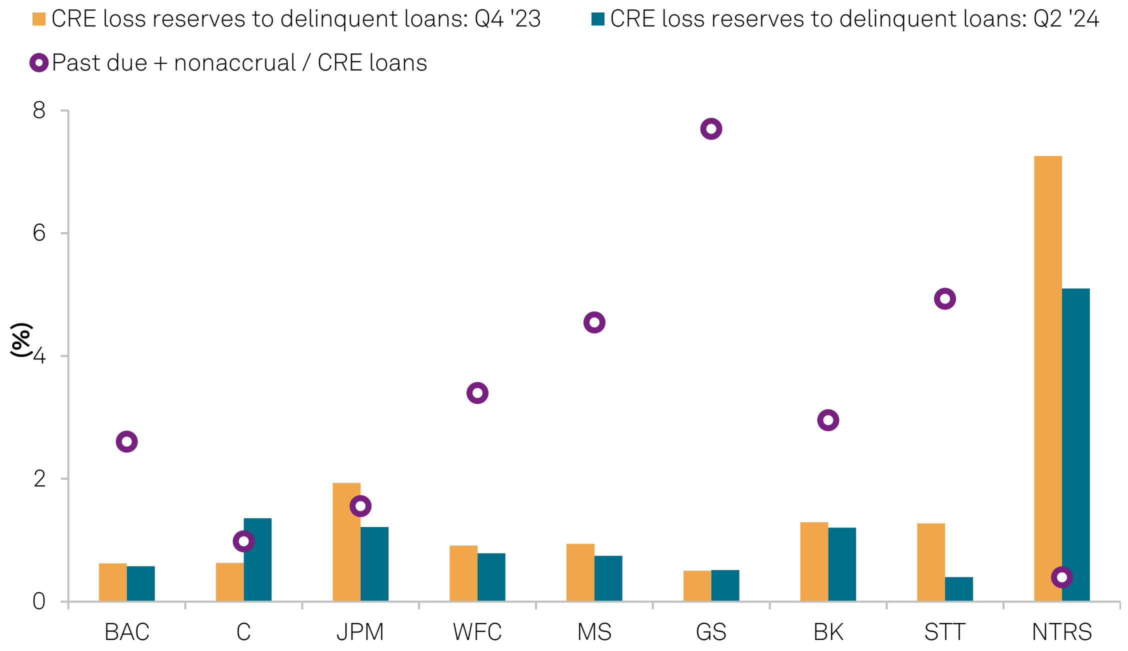
Office CRE Remains An Issue But Is Only A Small Portion Of GSIB Loans

- 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: commercial real estate exposure mix, Q2 2024



U.S. GSIBs: CRE asset quality metrics, Q2 2024

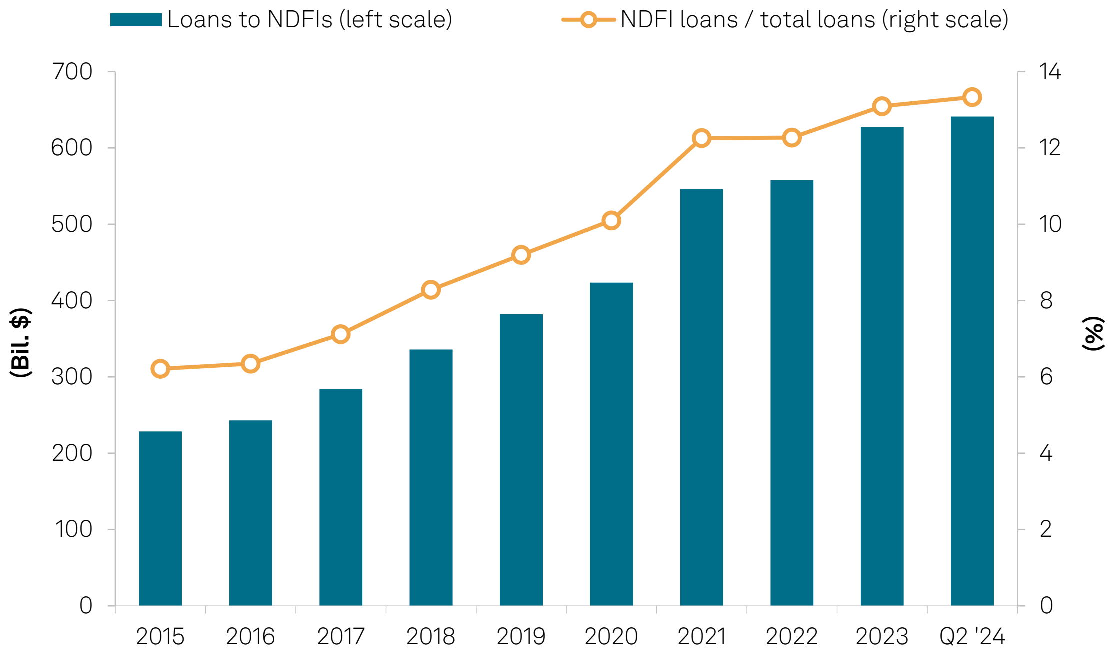


Note: CRE loans exclude owner-occupied loans. CRE--Commercial real estate. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp.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

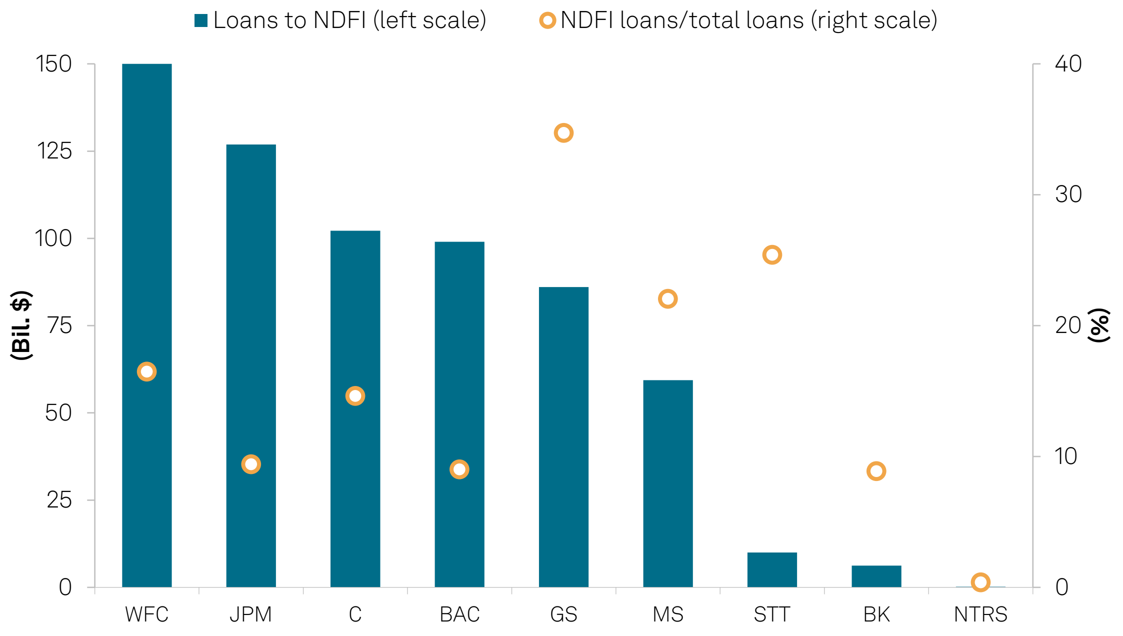
GSIBs Grew Their Nonbank Exposures Rapidly, But With Protections

- Loans to nonbank financial institutions have risen by more than 50% since 2020 and now make up about 13% of GSIB loans.
- Collateral and good diversification by borrower type have helped mitigate risks for banks.

U.S. GSIBs: loans to nondepository financial institutions



U.S. GSIBs: loans to nondepository financial institutions, Q2 2024



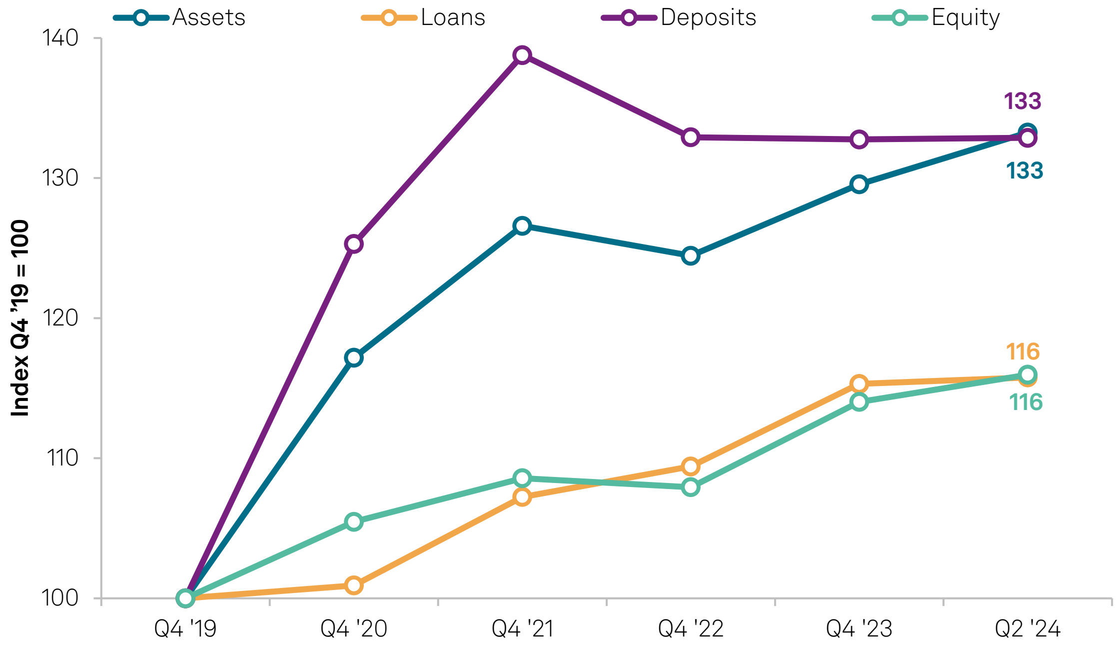
NDFI--Nondepository financial institutions. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells Fargo & Co. MS--Morgan Stanley. GS--Goldman Sachs Group Inc. BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings, S&P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

Balance Sheet Trends

GSIB Balance Sheets Shrank In Q2 But Remain In Good Shape

- GSIBs' balance sheets shrank in the second quarter, largely reflecting a decline in deposits.
- Equity rose on the back of capital accretion even as continued shareholder payouts and unrealized losses in securities portfolio weighed on shareholders' equity somewhat.

U.S. GSIBs: balance-sheet trends



Q4 2019 data 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, Q2 2024

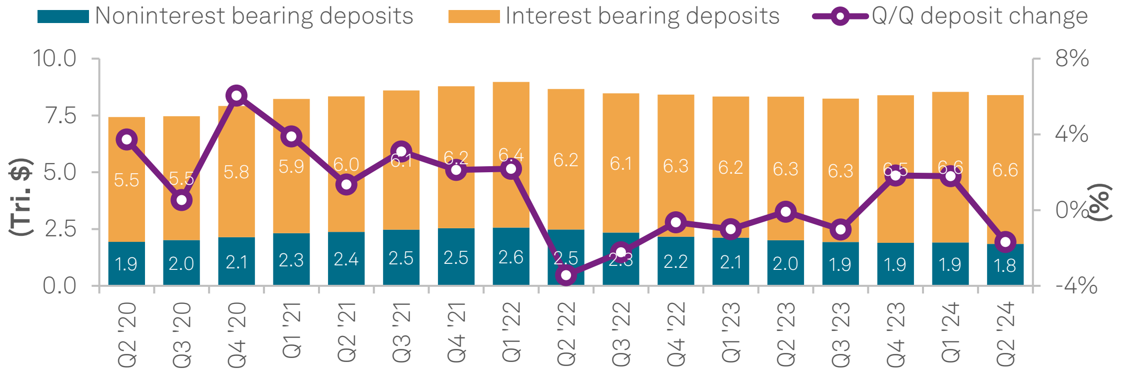
	Assets		Loans		Deposits		Equity	
(%)	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y	Q/Q	Y/Y
BAC	(0.5)	4.3	0.2	0.9	(1.8)	1.8	0.8	4.9
C	(1.1)	(0.7)	2.3	3.3	(2.2)	(3.2)	0.6	0.9
JPM	1.3	7.1	1.1	2.5	(1.3)	(0.1)	3.2	11.1
WFC	(1.0)	3.4	(0.4)	(3.2)	(1.2)	1.6	(1.5)	(0.6)
MS	(1.3)	4.1	6.6	9.7	(1.0)	0.1	1.7	0.4
GS	(2.7)	5.2	(0.5)	9.4	(1.7)	8.6	(0.6)	0.9
BK	(1.4)	(0.4)	(4.1)	9.6	(1.5)	4.2	0.8	1.4
STT	(3.7)	10.5	1.9	15.4	(5.1)	7.6	1.5	0.3
NTRS	0.4	0.0	(11.0)	(3.2)	(0.8)	8.6	4.9	9.5
Median	**(1.1)**	**4.1**	**0.2**	**3.3**	**(1.5)**	**1.8**	**0.8**	**0.9**

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.

S&P Global Ratings

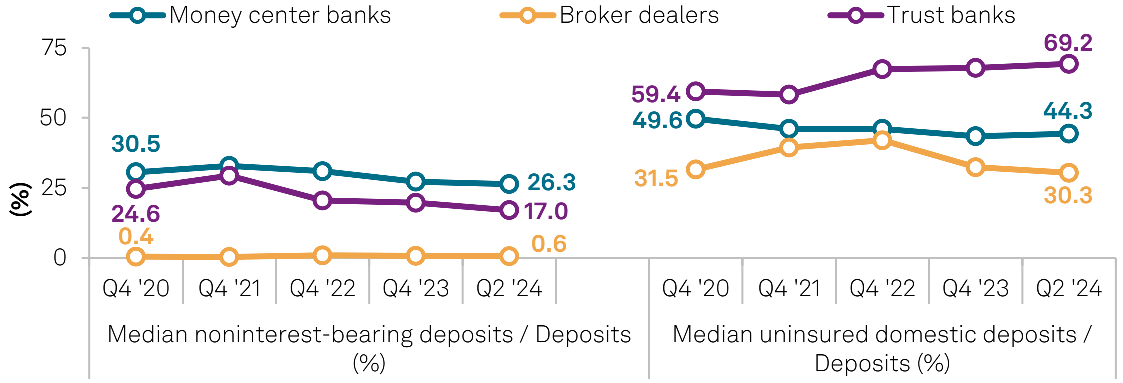
After Two Quarters Of Growth, Deposits Declined

U.S. GSIBs: deposit trends

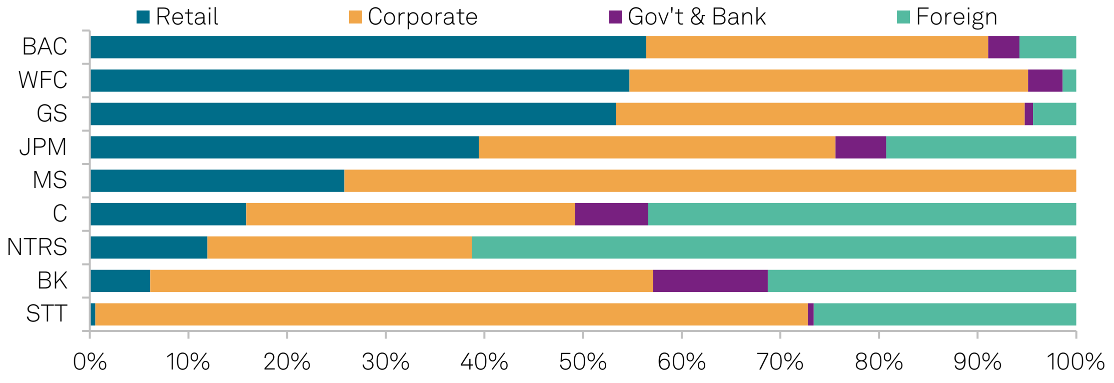


- Continued quantitative tightening, increased consumer spending, and competitive pricing weighed on deposit growth.
- Noninterest-bearing deposits declined further as customers continue to migrate to higher-yielding alternatives, but the trend seems to be stabilizing.
- The trust banks have concentrated deposit bases, with a high proportion of uninsured deposits, but most of those are operational deposits.

U.S. GSIBs: deposit metrics trends



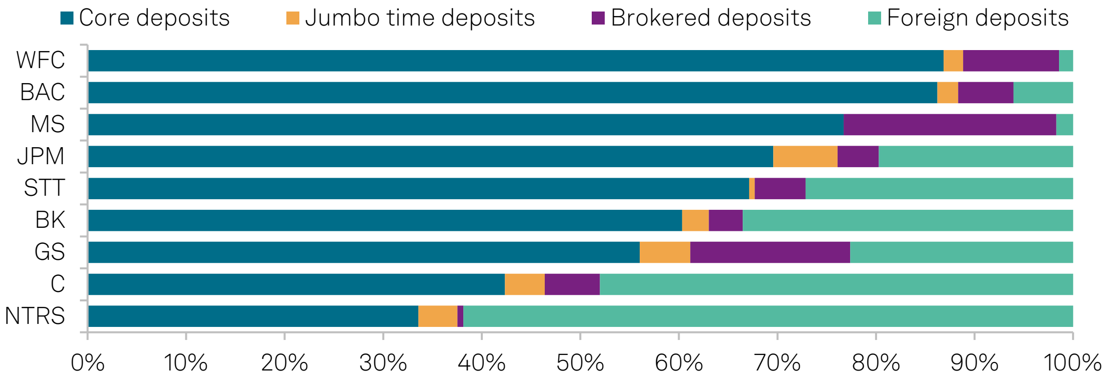
U.S. GSIBs: depositor mix as reported by domestic subs, Q2 2024



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.

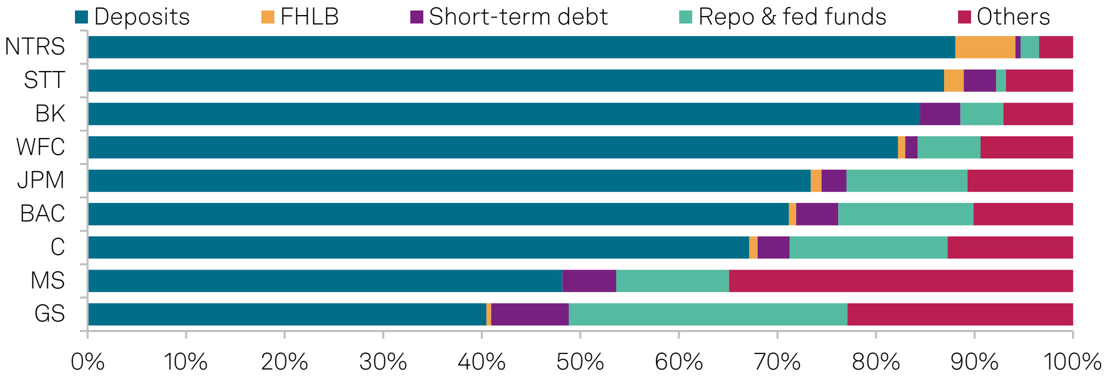
Funding Metrics Continue To Weaken Amid Continued Quantitative Tightening

U.S. GSIBs: deposit mix, Q2 2024

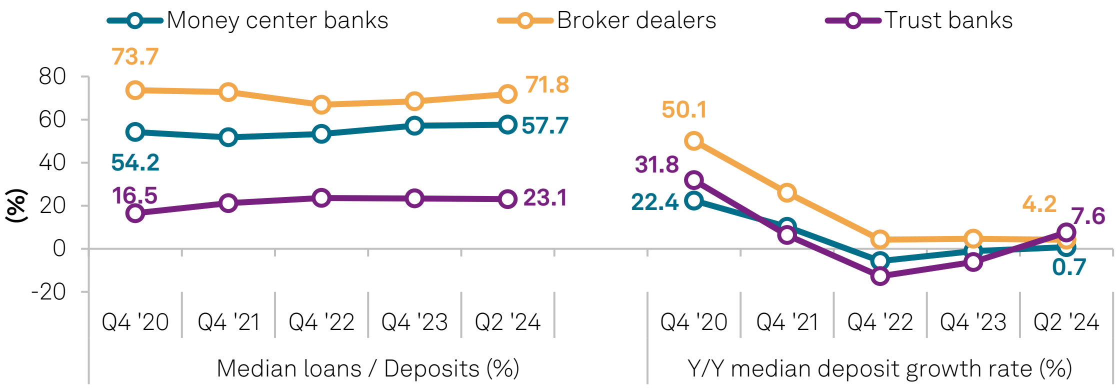


- Core deposits as a percentage of total GSIB funding remain slightly higher than pre-pandemic levels.
- Brokered deposits and other borrowings as a percentage of funding continue to rise for most GSIBs.
- We expect the loans-to-deposits ratio will climb further, although it remains below pre-pandemic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

U.S. GSIBs: funding mix, Q2 2024



U.S. GSIBs: funding metrics trends

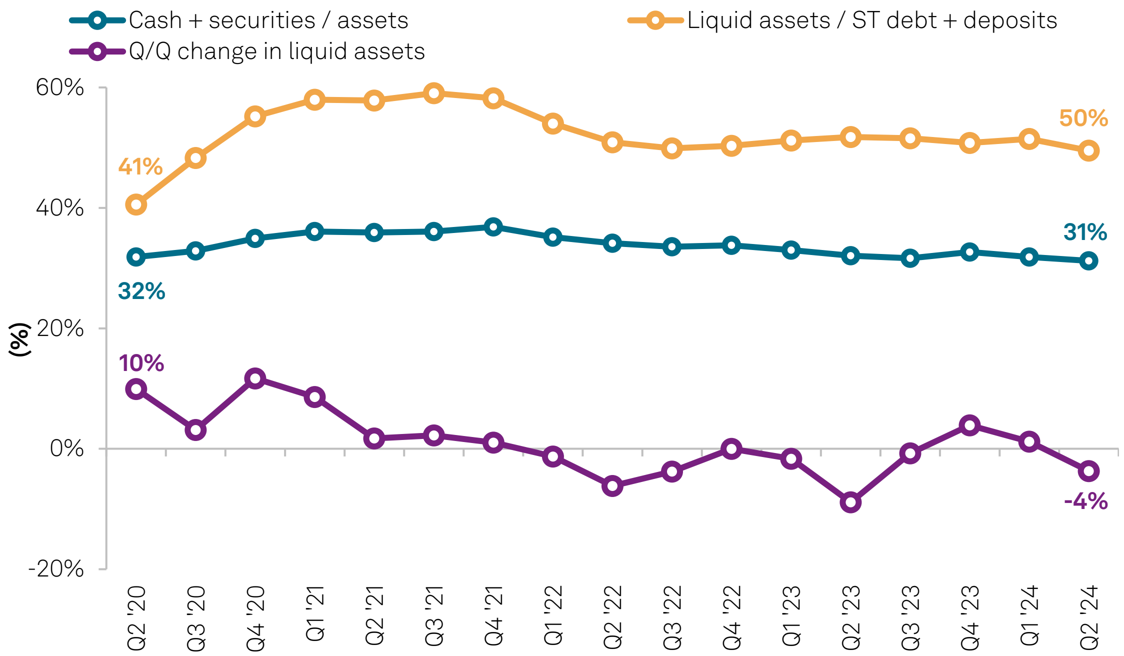


Core deposits--Deposits less brokered, jumbo, and foreign deposits. FHLB--Federal home loan banks. Short-term debt--Commercial paper plus fed funds purchased plus repo plus other short-term borrowings. Y/Y--Year over year. BAC--Bank of America Corp. C--Citigroup Inc. JPM--JPMorgan Chase & Co. WFC--Wells 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.

Balance-Sheet Liquidity Gradually Stabilizes From Historically Strong Levels

- Cash balances declined in the second quarter, in part due to GSIBs redeploying their excess cash in securities for higher yields amid tepid loan growth.
- Still, liquid assets account for a meaningful portion of balance sheets, with cash and securities forming nearly one-third of total assets.
- Banks continue to closely manage liquidity, in part by shoring up contingent sources of funding.

U.S. GSIBs: liquidity metrics trends



U.S. GSIBs: liquidity metrics, Q2 2024

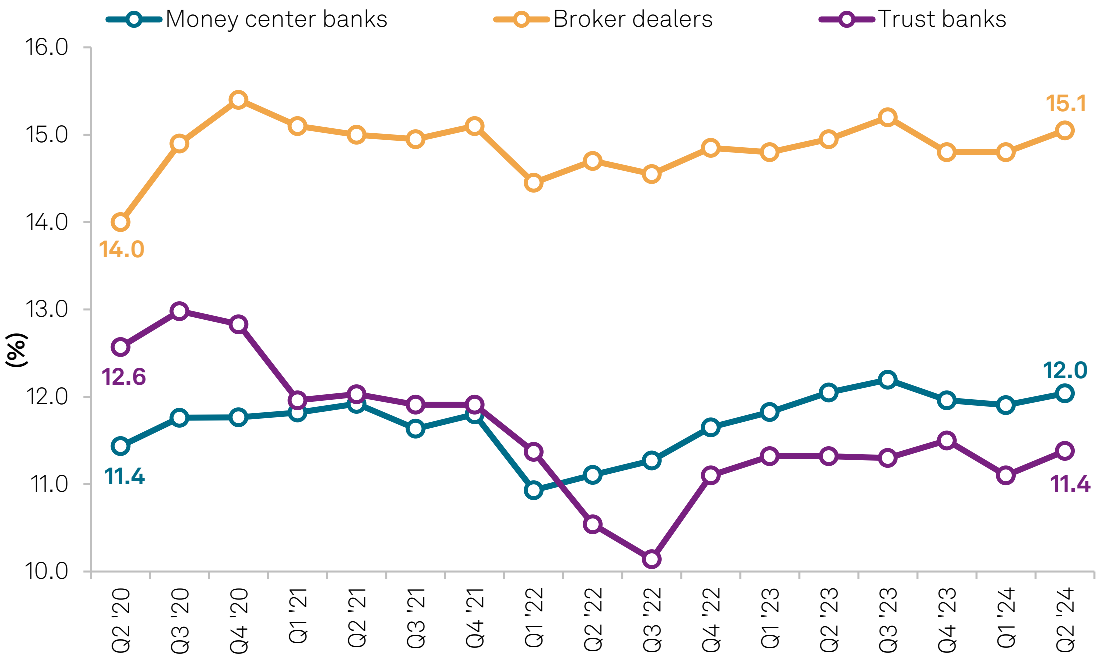
(%)	LCR	NSFR	Liquid assets / ST debt + Deposits	Cash + Sec. / Assets	Cash / Assets	Pledged sec. / Sec.	Pledged loans / Loans
BAC	113	119	40.5	36.7	10.1	25.2	33.5
C	117	117	30.6	31.0	10.5	48.1	42.0
JPM	112	118	35.4	27.1	12.9	15.6	53.9
WFC	124	127	21.0	32.6	12.0	79.1	54.5
MS	131	120	47.1	18.7	5.9	3.0	21.0
GS	126	115	40.5	20.6	12.5	5.3	4.8
BK	115	132	43.9	62.8	30.9	89.4	18.6
STT	106	140	48.7	64.7	31.6	79.5	32.8
NTRS	107	118	53.4	64.3	32.9	62.5	24.9

LCR--Liquidity coverage ratio. NSFR--Net stable funding ratio. Liquid assets--Cash plus unpledged securities (AFS plus HTM) plus fed funds sold. Short-term debt--Commercial paper plus fed funds purchased plus repo plus 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.

Though Still Elevated, Unrealized Losses Were Essentially Flat In Q2

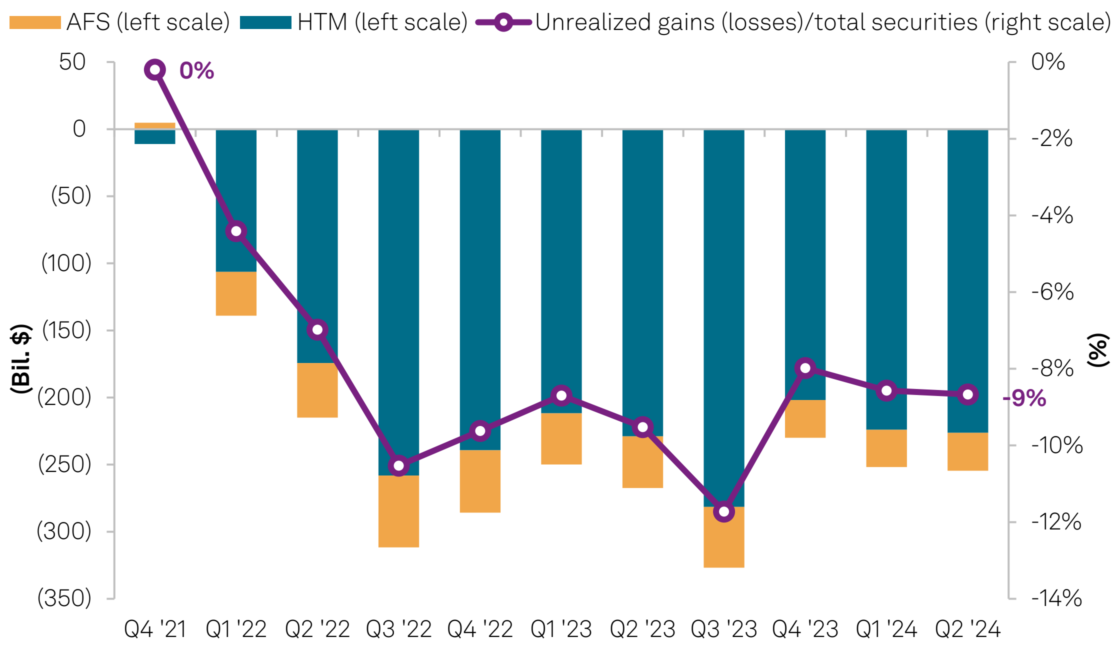
- GSIBs have substantial unrealized losses on their held-to-maturity (HTM) securities. If we adjust capital for unrealized losses on HTM securities, capital ratios would be meaningfully lower.
- Capital rose in Q2, aided by robust earnings, subdued loan growth, and uncertainty around regulatory developments.
- The Fed's expected rate cuts should help reduce the adverse impact of unrealized losses.

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.

The Trajectory Of GSIB Capital Will Hinge On Basel III Finalization

- Most GSIBs' stress capital buffers (SCBs) increased in the Fed's 2024 stress test, largely because of higher credit card balances, riskier commercial and industrial (C&I) portfolios, and constrained fee income.
- Still, all the GSIBs have excess capital--but to varying degrees--including their new preliminary SCBs.
- The Basel III endgame proposal to strengthen capital requirements for GSIBs could result in higher minimum capital requirements, though there is uncertainty about when and how it will be implemented.

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

	Q2 '24		Q1 '24		Q/Q change (bps)		Adv. / Std. (lower of the two) Q2 '24	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	13.5	11.9	13.4	0	10	S	3.2	10.7	1.2
C	13.6	12.2	13.5	12.0	10	20	A	4.1	12.1	1.5
JPM	15.3	15.5	15.0	15.3	30	20	S	3.3	12.3	3.0
WFC	11.0	12.3	11.2	12.4	-20	-10	S	3.8	9.8	1.2
MS	15.2	15.5	15.0	15.4	20	10	S	6.0	13.5	1.7
GS	14.9	15.9	14.6	15.9	30	0	S	6.4	13.9	1.0
BK	11.4	11.5	10.8	11.1	60	40	S	2.5	8.5	2.9
STT	11.2	12.0	11.1	11.7	10	30	S	2.5	8.0	3.2
NTRS	12.6	13.9	11.4	13.5	120	40	S	2.5	7.0	5.6

*Stress capital buffer (SCB) from June 2024 DFAST results. New SCB effective Oct. 1, 2024. 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

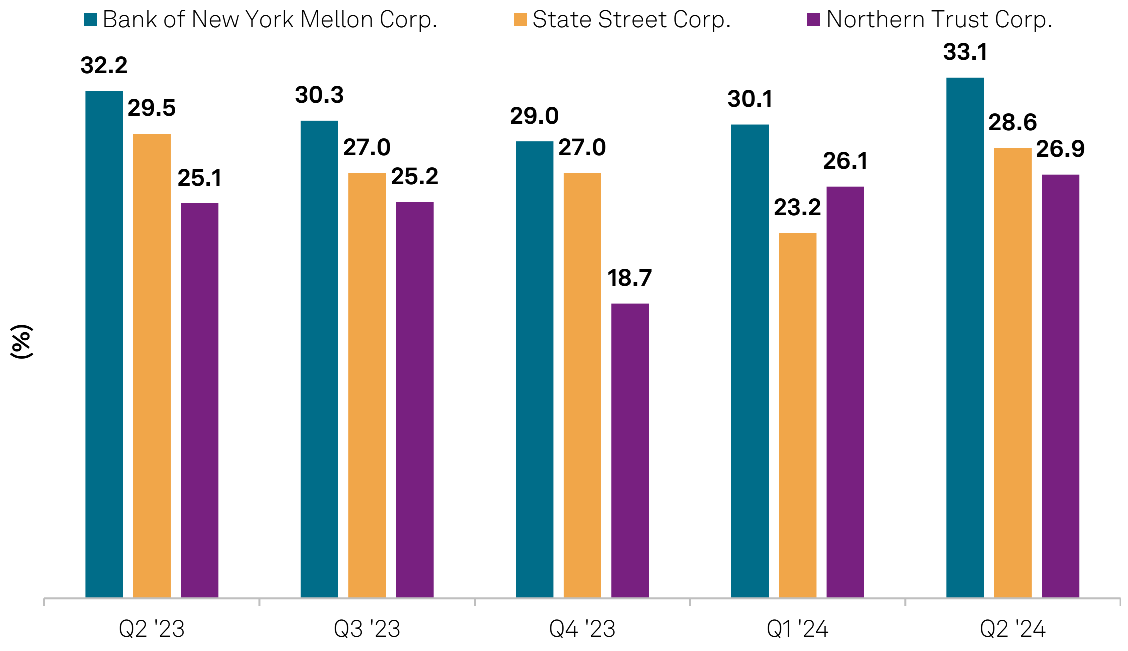
Trust Banks' Performance Highlights Benefits Of Specialized Business Models

- We believe the trust banks face more limited credit risks than commercial banks, with lending being ancillary to trust banks' core businesses.
- Assuming financial markets remain elevated, trust banks should benefit from robust fee income.
- As such, excluding one-off items, profitability likely will remain decent, with the trust banks posting pretax operating margins of at least mid-20%.

Trust banks: balance sheet mix, Q2 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



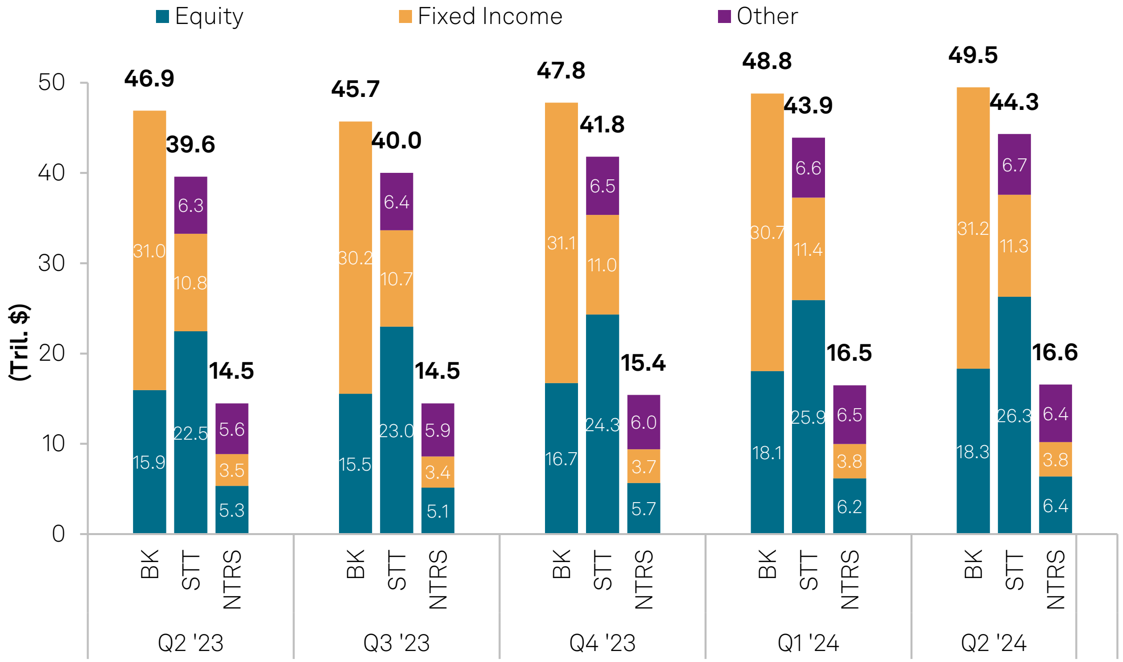
Note: Pretax margins are adjusted and exclude one-off items. Sources: Company filings, S&P Global Ratings, and S&P Cap IQ Pro.

S&P Global Ratings

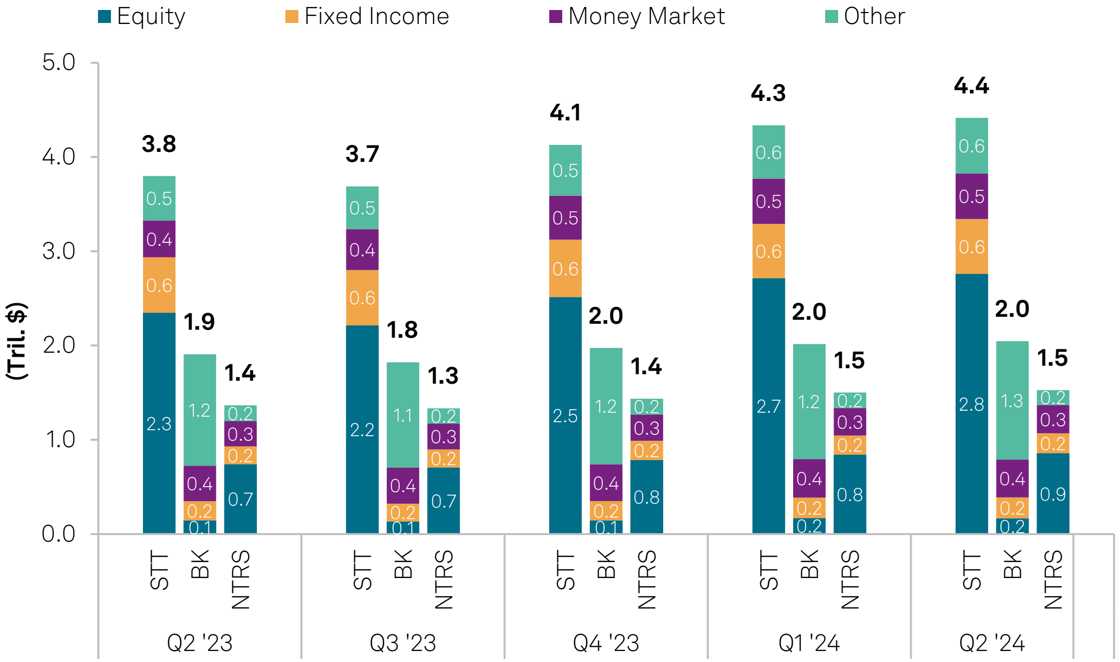
Fiduciary Activity Continues To Grow On Favorable Market Conditions

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

Assets under custody and/or administration trends



Assets under management trends

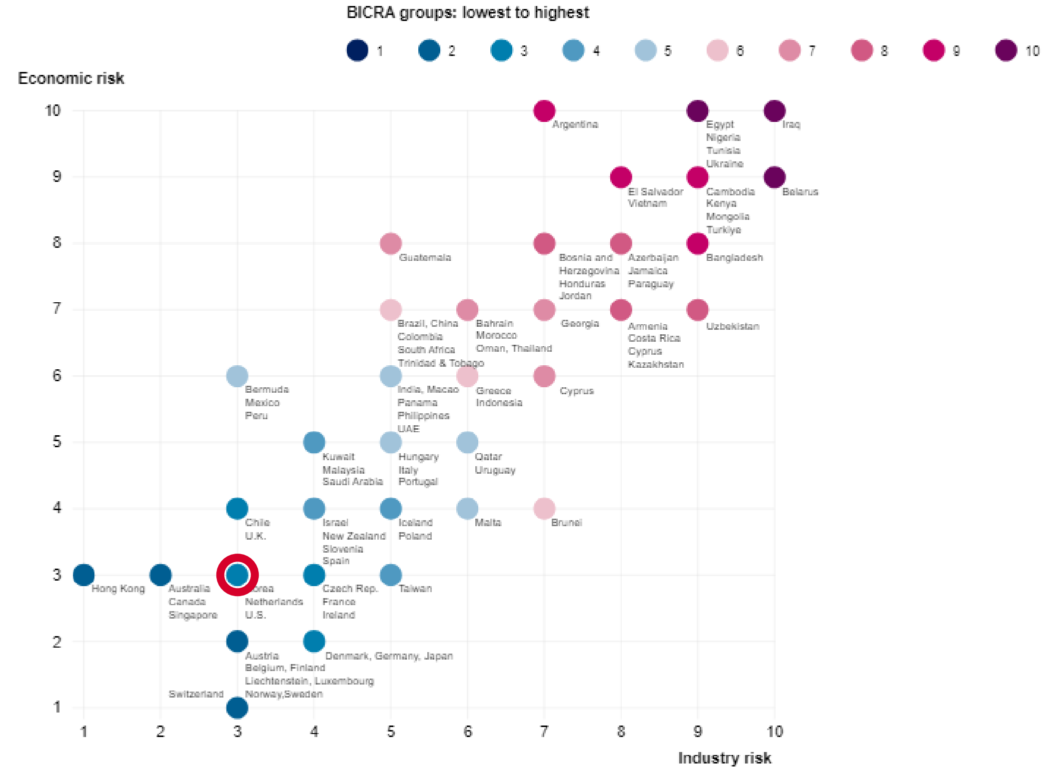


BK--Bank of New York Mellon Corp. STT--State Street Corp. NTRS--Northern Trust Corp. Sources: Company filings and S&P Global Ratings.

BICRA Trend And Ratings

U.S. BICRA Is On A Stable Trend

Global BICRA Comparison



Source:S&P Global Ratings.

A BICRA (Banking Industry Country Risk Assessment) is scored 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 Jul. 31, 2024. Source: S&P Global Ratings.

- We classify the banking sector of the U.S. 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 and the stable economic risk trend.
- The stable industry risk trend reflects 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 the GSIBs have stable outlooks, reflecting continued good performance and resilience.
- In April 2024, we affirmed the ratings and revised the outlook on JPMorgan to positive from stable on franchise strength and its 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 Aug. 25, 2024.

Analytical Contacts And Key Publications

Analytical Contacts

Devi Aurora

Managing Director and Analytical Manager

+ 1 (212) 438 3055

devi.aurora@spglobal.com

Brendan Browne, CFA

Managing Director

+1 (212) 438 7399

brendan.browne@spglobal.com

Stuart Plesser

Managing Director

+ 1 (212) 438 6870

stuart.plesser@spglobal.com

Rian M Pressman, CFA

Director

+ 1 (212) 438 2574

rian.pressman@spglobal.com

Research contributor: Srivikram Hariharan, Chennai, India.

Selected **Key Publications**

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

- U.S. Banks Webinar Q3 2024 Slides: What's Next As Rate Cuts Loom?"
- Tighter Liquidity Regulations Could Help Fortify The U.S. Banking Sector, Where Liquidity Risks Still Linger
- Global Bank Credit Loss Forecasts: Asset Quality Is Normalizing, Report Says
- U.S. Bank Shareholder Payouts May Rise In 2024, Despite Higher Capital Depletion In Stress Test
- Rating Component Scores For U.S., Canadian, And Bermudian Banks (June 2024)
- The Role Of Bank AT1 Hybrid Capital One Year On From The 2023 Banking Turmoil
- 2023 Banking Turmoil: Global Regulators Reflect And React
- CRE Debtholders Are Confronting Increasing Refinancing Risk And Charge-Offs In 2024; Outcomes Will Vary
- 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

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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