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Will Paige

Most Wall Street lenders rise above regional banking chaos to post buoyant first quarter results

Article

The news: After a tumultuous few months in the US banking sector, the results are in for Wall Street lenders' first quarters.

Trendspotting: As expected, banks benefited from higher interest rates, which they've used to bulk up earnings rather than passing them on to savers. Big banks have generally also bolstered their deposits, as they capitalize on the greater security they can offer customers compared to regional lenders. But it wasn't all smooth sailing. Slumping deals contributed to a miserable three months for investment banking.

JPMorgan

In broadly upbeat results, JPMorgan was the prime example of a large bank that benefited from the security its size can offer customers at a time of growing uncertainty, particularly those with assets at smaller banks.

- It reported **net income of $12.6 billion, jumping 52% year over year (YoY).**
- JPMorgan generated **record revenue of $38.3 billion**, up 25% YoY and topping forecasts of $36.2 billion.
- The bank also **added $37 billion in new deposits**, beating analyst predictions of a decline.
- **Investment banking remained in poor health, with a 24% drop in revenue to $1.6 billion**, below market estimates.

Bank of America

BofA also posted strong Q1 results, benefiting from higher interest rates to beat expectations for revenue and earnings.

- **Net income rose 15% YoY** to $8.2 billion while **revenue increased 13% YoY** to $26.3 billion, driven by higher rates along with loan growth.
- **Net interest income jumped 25% YoY** to $14.4 billion.
- Despite CEO Brian Moynihan saying "every business segment performed well," BofA **plans to cut up to 4,000 jobs** before the end of June.
- **Investment banking fees dropped 20% YoY** to $1.2 billion, reflecting "weaker industry-wide activity."

Citigroup

Citi attributed growth to strong consumer spending and higher interest rates, but consumer deposits were stagnant compared to some of its rivals.

- **Revenue climbed 12% YoY** to $21.4 billion.
- **Net income widened 7% YoY** to $4.6 billion despite higher expenses and increased credit costs.
- **US personal banking revenue rose 18% YoY** on the back of higher interest rates.
- Citigroup's end-of-quarter deposits were about $1.3 trillion, virtually unchanged from a year earlier and down 3% quarter over quarter (QoQ).
- In line with other banks, its **investment banking revenues slumped 25% YoY** to $774 million.

Wells Fargo

The bank posted buoyant results but is holding more than $1 billion for credit losses.

- Wells Fargo reported **strong top- and bottom-line growth,** with revenue up 17% YoY to $20.73 billion and net income jumping 32% YoY to $4.99 billion.
- The bank reported a **45% YoY leap in net interest income** to $13.34 billion, ahead of expectations.
- But Wells Fargo **set aside $1.2 billion for credit losses, 26% higher QoQ,** tied to commercial real estate, credit card, and auto loans.
- **Consumer deposits were down 2% QoQ and 7% lower YoY** at $1.36 billion.

Goldman Sachs

Goldman's profits shrank as its disappointing consumer banking endeavors and weak trading and dealmaking hurt growth.

- **Revenue was $12.22 billion, down 5% YoY** and below estimates as the bank struggled compared to its more diversified Wall Street rivals.
- **Profits nosedived 18% to $3.23 billion**, including a loss of about $470 million on the partial sale of Marcus' loans portfolio.
- **Investment banking fees were $1.58 billion, 26% lower YoY.**
- **Net interest income was $1.78 billion, down 14% YoY.** It's expected to drop further this year.

Morgan Stanley

Much Like Goldman, Morgan Stanley struggled amid weaker revenue from its investment bank and climbing costs.

- **Profits narrowed 19% YoY to $2.98 billion** on revenue that slipped 2% YoY to $14.52 billion. Expenses inched up 4% to $10.52 billion.
- **Wealth management was a bright spot**, attracting net new assets of $110 billion during the quarter.
- Morgan Stanley's **investment banking revenue slumped 24% to $1.2 billion**, marginally beating analyst forecasts.
- The bank also set aside **$234 million for credit loss provisions**, up sharply from $87 million last quarter.

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