

# Sector Insights

## Large-cap bank earnings and fundamentals shaping 2026

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### Summary

This report reviews recent earnings results from large-cap banks and evaluates the implications for the sector's financial and strategic outlook. Earnings developments can unfold quickly, sometimes with meaningful changes to key fundamental drivers. We analyze results across net interest income, trading and underwriting activity, wealth management performance, credit trends, and expense discipline to provide a comprehensive assessment of underlying fundamentals. Our goal is to help investors contextualize recent results while framing expectations for 2026.

### What's inside

Net interest income .....	2
Equity and fixed-income underwriting.....	2
Trading.....	3
Wealth management .....	3
Credit.....	3
Expenses.....	4
Where to invest.....	5

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The table below provides a snapshot of recent market reactions to earnings releases. It shows how each bank's stock performed following its earnings report and includes our updated Investment Rationale reports, which offer a more detailed assessment of quarterly results and the outlook for 2026.

**Table 1: Notable large-cap banks that reported earnings**

Company	Ticker	Percent change the day of earnings report	Investment Rationale report
Bank of America Corp	BAC	-3.8%	Not applicable
Citigroup Inc.	C	4.1%	<a href="#">Investment Rationale (PDF)</a>
Goldman Sachs Group, Inc.	GS	4.6%	Not applicable
JPMorgan Chase & Co.	JPM	-4.2%	<a href="#">Investment Rationale (PDF)</a>
Morgan Stanley	MS	5.8%	<a href="#">Investment Rationale (PDF)</a>
PNC Financial Services Group, Inc.	PNC	3.8%	<a href="#">Investment Rationale (PDF)</a>

Sources: FactSet, Wells Fargo Investment Institute. Current as of January 20, 2026.

## Net interest income

Starting with net interest income (NII) in 2025, strength was driven by higher loan balances, fixed-rate asset repricing, and resilient consumer card borrowing, partially offset by lower interest rates late in the year. For example, JPMorgan Chase & Co (JPMorgan) pointed to higher firm-wide deposit balances and rising revolving credit card balances as the primary drivers of NII ex-markets growth, even as lower rates created a drag in the second half of the year. Additionally, Bank of America Corp emphasized that 10% NII growth came from fixed-rate assets rolling into higher yields and broad-based loan growth across commercial and consumer portfolios. Citigroup Inc. (Citigroup) similarly cited 14% growth in NII, driven by elevated volumes across cards and services. PNC Financial Services Group, Inc. (PNC) reported that NII was fueled by steady loan growth, particularly in commercial lending.

Generally, management teams guided for low-single-digit to mid-single-digit NII growth for 2026, consistent with a rate environment expected to drift lower while loan volumes and card activity continue to expand. PNC offered the strongest outlook, calling for 14% NII growth as fixed-rate asset repricing and its acquisition of FirstBank fuel growth.

### 2026 NII guidance by company

Company	2026 NII guidance
Bank of America Corp	+5% – 7%
Citigroup Inc.	+5% – 6%
Goldman Sachs Group, Inc.	Low single digits
JPMorgan Chase & Co.	Low single digits
Morgan Stanley	Low single digits
PNC Financial Services Group, Inc.	+14%

Sources: Company reports, Wells Fargo Investment Institute. Current as of January 20, 2026.

## Equity and fixed-income underwriting

In 2025, underwriting activity strengthened notably from the prior year, albeit at different speeds across firms. Morgan Stanley reported one of the clearest rebounds, with investment banking revenues up 23% in 2025, driven by strong debt underwriting and renewed life in equity issuance as the initial public offering window reopened. Goldman Sachs Group, Inc. (Goldman Sachs) also posted strong results, with investment-banking fees up 25% year over year, reflecting a healthier

backdrop for advisory, debt origination, and long-awaited growth in equity market underwriting. Citigroup posted record investment-banking fees for the full year.

Looking ahead to 2026, management teams broadly expect steady growth in underwriting as deal pipelines remain healthy and corporate financing needs pick up. Morgan Stanley emphasized that its deal backlog entering 2026 is “the strongest in years,” implying continued strength in debt underwriting and a more fully open equity calendar. Goldman Sachs echoed this sentiment and highlighted its highest four-year investment banking backlog. Citigroup expects another year of solid investment-banking contributions, pointing to wallet-share gains as a primary growth driver.

## Trading

Trading was a bright spot in 2025, reaching all-time industry highs. This was supported by elevated market activity, geopolitical volatility, and a constructive client environment across macro and equities. JPMorgan’s markets revenue rose 19% in 2025, driven by fixed-income strength and an exceptional 33% surge in equities trading. Goldman Sachs echoed this with record-setting performance: equities net revenues reached \$4.3 billion in the quarter, the highest ever recorded by any Wall Street bank for a single period, while Fixed Income, Currencies, and Commodities posted double-digit growth. Morgan Stanley also reported strong equities numbers, supported by client engagement and financing revenues.

For 2026, banks expect trading revenue growth to slow but remain positive, supported by steady client engagement and a more stable rate environment. Goldman Sachs noted that falling rates and rising institutional activity have created a supportive backdrop entering 2026 and expect the rebound in equity and fixed-income underwriting to generate spillover gains across trading desks. JPMorgan expressed similar optimism, pointing to resilient client flows and diversified trading franchises that have historically performed well even in calmer macro conditions. Morgan Stanley guided to a “constructive environment” for both equities and macro products, anchored by strong financing demand and renewed activity in securitized products as rates settle. Overall, while 2025 trading results benefited from significant volatility, 2026 expectations reflect normalization at healthy levels rather than a step-down.

## Wealth management

Wealth management delivered broad-based strength in 2025, solidifying its role as a more stable earnings engine across large-cap banks. Morgan Stanley remained the standout with pre-tax margins of 29% for the year and over 31% in the fourth quarter. Despite the strong underwriting and trading backdrop, wealth management is now the firm’s largest business. JPMorgan and Bank of America Corp also highlighted continued growth in wealth assets, with JPMorgan noting record wealth-management households. Citigroup emphasized strong results in its wealth segment as well, pointing to 14% revenue growth and a full-year return on tangible common equity (ROTCE) above 12% as it scales integrated advisory and banking offerings. Management teams expect continued wealth-management expansion in 2026, driven by improving market valuations, client risk appetite growing as cash yields drop, and sustained momentum in fee-based advisory.

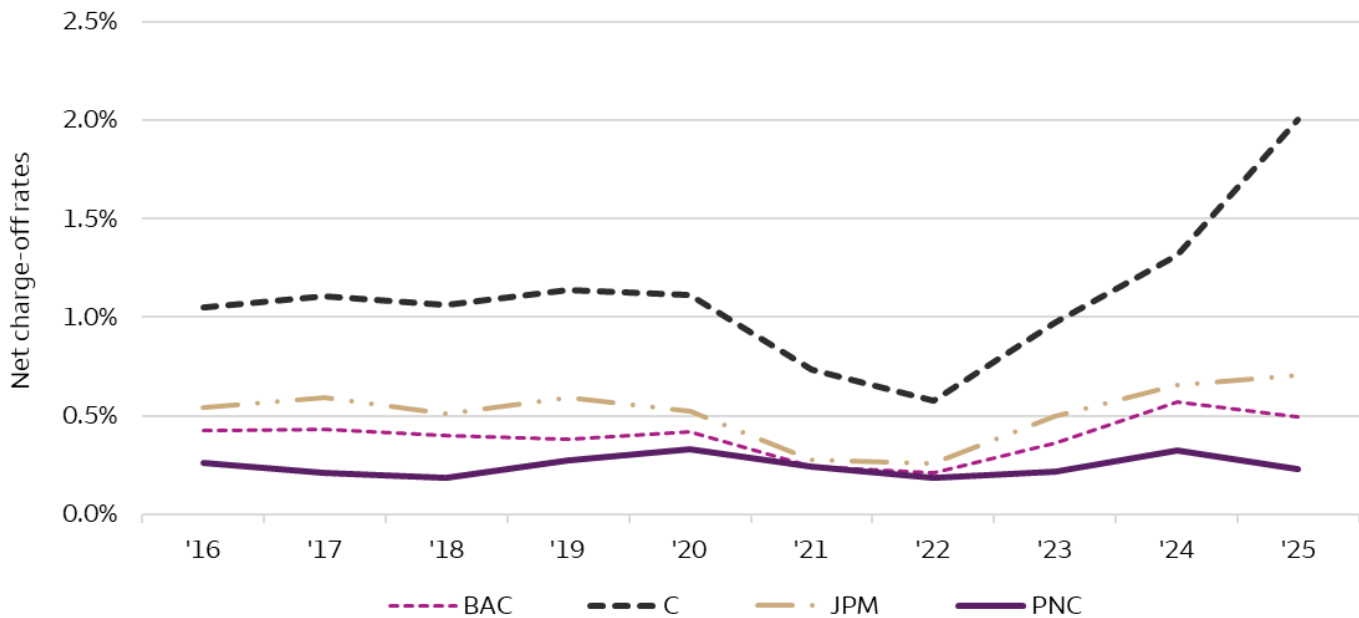
## Credit

Large-cap bank management teams described a broadly stable but normalizing credit environment, marked by slight signs of strain in select portfolios — most visibly commercial real estate (CRE) and pockets of commercial & industrial (C&I) — while emphasizing that the consumer remains resilient. Executives at JPMorgan noted that “consumers and small businesses remain resilient” with spending and repayment behavior “largely consistent with historical norms,” even as card charge-offs continue reverting toward pre-pandemic levels — JPMorgan’s own U.S. card net charge-off rate reached 3.14% in the fourth quarter. Bank of America Corp echoed a similar theme, highlighting stable headline credit performance with a 44-basis-points (bps, 100 bps equals 1%) net charge-off ratio, down 10 bps year over year even as consumer credit card delinquencies rose modestly and non-performing loans increased sequentially. Citigroup reported that credit normalization is most visible in U.S. cards, where the cost of credit included significant net credit losses and trust-level net charge-off

rates for branded cards ranged from roughly 2.0% to 2.4% through 2025, reflecting normalization rather than acute stress. PNC described a healthy overall consumer but flagged that delinquencies rose 17% sequentially despite net charge-offs falling to 0.20%, an early sign that credit normalization is broadening across both consumer and commercial segments. On CRE, commentary was mixed. Bank of America Corp highlighted that losses in office CRE fell during the quarter but is still an area of vigilance. PNC and others pointed to pockets of stress in CRE and C&I, where non-performing loans increased and delinquencies spiked, particularly tied to commercial borrowers facing higher refinancing and operating costs.

Looking forward to 2026, firms expect continued normalization rather than deterioration: Citigroup guided that branded card net credit losses should be 3.5% – 4.0%, with retail services 5.75% – 6.25%; JPMorgan expects card charge-offs to rise to about 3.4%; and PNC signaled higher write-offs in 2026 as delinquencies season suggesting a return to a steady-state consumer credit loss environment rather than an emerging downturn.

### Net charge-off rates over the past decade



Sources: FactSet, Wells Fargo Investment Institute. Data as of December 31, 2025.

## Expenses

In 2025, large-cap banks saw expenses increase due to compensation, volume-linked operating costs, higher transaction-based activity, and investment in technology, artificial intelligence (AI), and process modernization. Non-interest expense is expected to grow further for all companies in focus in 2026. Expense plans emphasize operating leverage — allowing revenues to grow faster than expenses — while continuing to invest into competitive capabilities. JPMorgan is maintaining a high investment baseline, with expenses running around \$105 billion in 2026 and growing 9% year over year. This reflects an explicit willingness to spend for growth on AI, technology, and its onboarding of Apple Card. Bank of America Corp targets roughly 200 bps of operating leverage, implying 4% expense growth, driven by more than \$13 billion in annual technology spend and the expectation that AI-enabled productivity gains will allow headcount to drift lower over time. Morgan Stanley, operating at a high-60s efficiency ratio, expects to maintain or slightly improve efficiency as it modernizes its deferred-compensation hedging program and invests in AI-driven productivity. Citigroup is the most explicit with its efficiency ratio target of 60% for 2026 as transformation spending falls, stranded costs come out, and automation is applied to dozens of major processes.

## Expense metrics for large-cap banks

Metric	BAC	C	GS	JPM	MS	PNC
2025 efficiency ratio	61.7%	64.7%	64.4%	52.0%	68.0%	60.0%
Medium-term efficiency ratio target	55% - 59%	60%	No target or guidance	No target or guidance	70% through the cycle	No target, but expects 400 bps of operating leverage in 2026
Expected expense growth in 2026	4%	No guidance, but expects another year of operating leverage	No guidance, expects expenses to follow client activity	9%	No absolute guidance, but management expects continued operating leverage	7%

Sources: Company reports, Wells Fargo Investment Institute. Current as of January 20, 2026.

## Where to invest

Against a backdrop of steady NII growth, healthier capital-markets activity, and continued momentum in wealth management, we believe investors should focus on large-cap banks that pair durable earnings engines with balance-sheet strength and clear strategic positioning. JPMorgan stands out as the sector's anchor holding, supported by industry-leading ROTCE, best-in-class efficiency, and a fortified capital base that provides resilience across cycles. Its scale, diversified business model, and strong contribution from subscription-like fee businesses give JPMorgan the flexibility to outperform in both stable and shifting macro environments. Morgan Stanley also looks attractive. With capital-markets activity rebuilding, wealth management serving as a stabilizing profit center, and management committed to long-term targets that include ROTCE in excess of 20% and a sub-70% efficiency ratio, the firm offers a compelling blend of cyclicity and high-quality recurring revenue. Its dividend track record and excess capital reinforce the case for inclusion as a core long-term holding.

PNC offers a differentiated opportunity for investors seeking diversified revenue exposure and disciplined growth. The bank's business mix, which is nearly half non-interest income, positions it well relative to peers more dependent on rate-sensitive spread income. Management's consistent execution, strong capital position, and appetite for strategic investment (including acquisitions like FirstBank) support PNC's ability to compete effectively against both national and technology-enabled banking platforms. Finally, Citigroup represents a higher-beta (market sensitivity) restructuring story suited for investors with a multi-year horizon. While near-term returns remain below peers, Citigroup's ongoing transformation, simplification of its global footprint, and targeted ROTCE improvement have the potential to re-rate the stock if management delivers on both cost reduction and sustainable revenue growth. In our view, the combination of operational cleanup, wallet-share gains in capital markets, and a more disciplined expense framework could unlock value for a shareholder base that has waited years for improvements.

## Securities mentioned in this report

Ticker	Company name	Market cap (billions)	Price	Dividend	Dividend yield	Estimated NTM EPS	NTM P/E	Core	DSIP	Growth	Focus	High Yield	SMID	Value
BAC	Bank of America Corp	\$380.46	52.1	1.12	2.1%	\$4.36	11.9x							
C	Citigroup Inc.	\$201.83	112.8	2.4	2.1%	\$10.38	10.9x					X		X
GS	Goldman Sachs Group, Inc.	\$282.94	943.37	18	1.9%	\$58.13	16.2x							
JPM	JPMorgan Chase & Co.	\$824.14	302.74	6	2.0%	\$21.41	14.1x	X			X	X		X
MS	Morgan Stanley	\$289.41	182.1	4	2.2%	\$11.21	16.2x	X			X	X		
PNC	PNC Financial Services Group, Inc.	\$86.65	220.96	6.8	3.1%	\$18.31	12.1x					X		

Sources: FactSet, Wells Fargo Investment Institute. Prices and data as of January 20, 2026. NTM = next-twelve-months. EPS = earnings per share. P/E = price-to-earnings.

## Global Securities Research List Descriptions:

The **Core List** includes a wide range of what we view as high-quality companies. In general, the list may have representation across all 11 sectors and exposure to stocks with varying levels of maturity, valuation, and cyclicity. The Core List assumes a long-term holding period and can be used to build or supplement a well-diversified equity portfolio.

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The **Focus List** is a concentrated list of stocks that represents a combination of the equity sector guidance from Global Investment Strategy and security selection from Global Securities Research. The objective is to exceed the total return of the S&P 500 Index over an approximate 12-month timeframe.

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