Canadian Banks

Earnings & Beyond: Higher for longer taking a toll

Earnings Review

EPS revisions continue downward trend, -7% YTD

2Q23 results support our cautious view on the group, with banks reporting slowing (albeit still healthy) growth momentum (loan growth 11.2% YoY vs 13.6% in 1Q23) and normalizing credit costs (PCLs; +4bp QoQ; +25bp YoY). Expense leverage not coming through fast enough (avg. efficiency ratio +159bp YoY). 2023/2024 consensus EPS revisions -2.7%/-2.0% (vs. pre-2Q23); -6.4%/-7.3% YTD. Exhibits 1-71 for valuation, operating trends, management outlooks.

Valuations discounted, but -ve EPS cycle needs reversing

Stocks trading at 9.3x 2023e P/E, 1.2x YE23e P/Book vs. 11x and 1.7x pre-pandemic 5yr medians respectively. Decisive break in inflation / rates would reduce the probability of tail-risk events, potentially boost sentiment. True to their history Canadian banks have outperformed most of their global banking peers through the US banking turmoil. Exhibits 6-11. (See following EPS re-cap notes: TD RY CM BMO BNS)

Credit normalizing, consumer remains vulnerable

Credit normalizing with new formations +9% QoQ, gross impaired loans (GIL) +11% QoQ/+25% YoY, net write-offs +11% QoQ/+41% YoY. We forecast credit costs (PCLs) of 33bp/39bp for FY23/FY24 on average for the big five banks vs. 36bp average in 2019 and 78bp peak over the last decade. Housing market activity has rebounded recently (helped by record immigration, resilient job market), but remains vulnerable to elevated interest rates. BofA Economics team GDP forecast 2023/24 Canada: +1.0%/+0.4%; US +1.1%/-0.1%.

Deposit mix could be close to stabilizing

Term deposits (GICs) 48.8% of total deposits as of 2Q23 vs. 40.5% YoY and 47.5% pre-pandemic; non-interest-bearing deposits at 12% vs. 14.1% vs. 10.7%. While pressure from deposit re-pricing likely to remain a headwind, the ability to mitigate these via asset repricing should improve later in the year into 2024, especially if the interest rate environment stabilizes. Exhibits 31-37.

TD investor day to showcase leadership, franchise quality

The Canada investor day (June 8), to be followed by a US investor day, is seen by investors as an opportunity for the bank to showcase the leadership team. Michael Rhodes, head of Canadian banking and Leo Salom, head of US retail have both been in their current roles since 2022 (at TD since 2011). Our conversations indicate investor focus on CEO succession with the termination of the First Horizon-FHN merger seen as potentially accelerating the timeline. We expect the investor day to highlight the strength of the TD franchise (deposit/customer relationships), digital spend, consumer/housing outlooks, capital strategy.

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Relevant Research

US Banks: US Banking turmoil: Policy outlook – Expert call takeaways 30 May 2023

US Banks: Reading the Tea Leaves: Risks from higher for longer firmly in place 29 May 2023

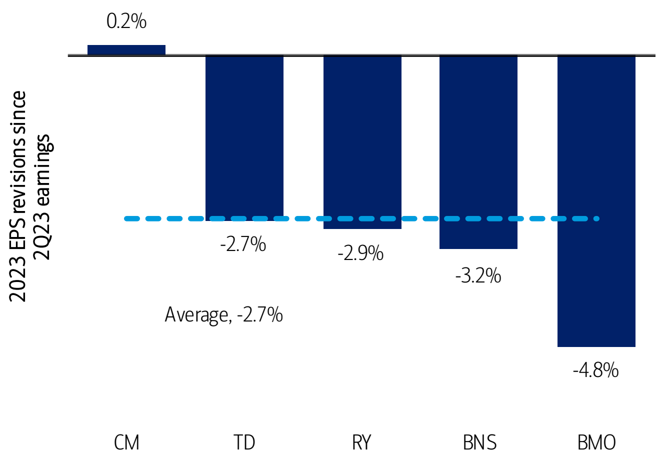
PCLs: credit costs

-ve: negative

Operating outlook snapshot

Slowing growth momentum, normalizing credit costs, limited expense/capital leverage have driven negative EPS revisions over the last 12 months.

Exhibit 1: Revisions for 2023e EPS are largely negative…
2023e consensus EPS revisions vs. pre 2Q earnings



Source: BofA Global Research, Bloomberg

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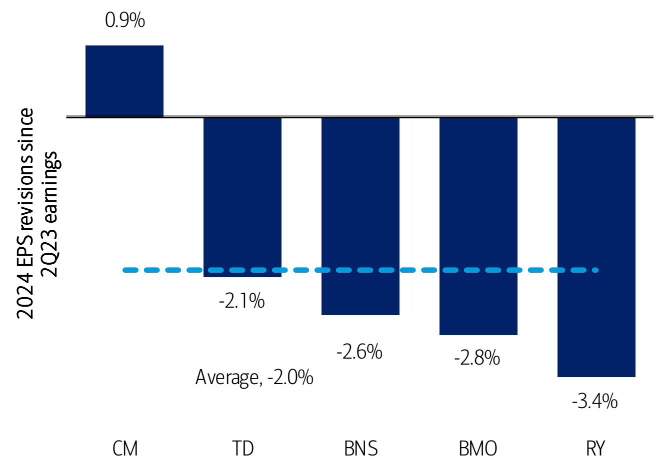
Exhibit 2: …and 2024e EPS has not fared much better
2024e consensus EPS revisions vs. pre 2Q earnings



Source: BofA Global Research, Bloomberg

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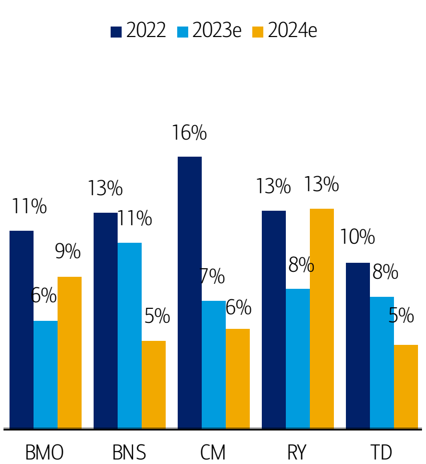
Slowing loan growth, rising funding costs, and normalizing credit should all provide headwinds for profitability.

Exhibit 3: We see muted loan growth in FY23
YoY avg loan growth



Source: BofA Global Research, company filings
Note: TD/BMO excludes M&A

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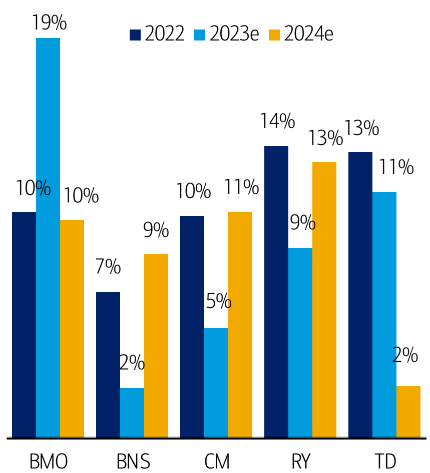
Exhibit 4: We expect lower NII growth in '23
YoY NII growth



Source: BofA Global Research, company filings

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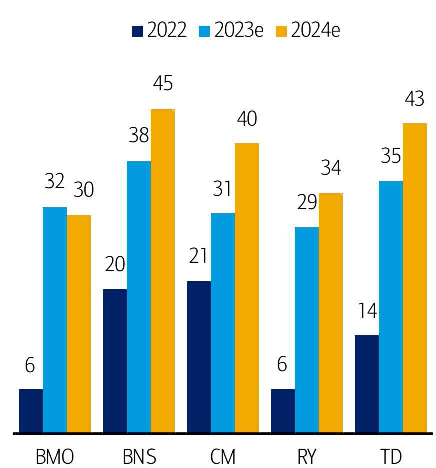
Exhibit 5: We see provisions increasing in '23
Provision for credit losses (bp)



Source: BofA Global Research, company filings

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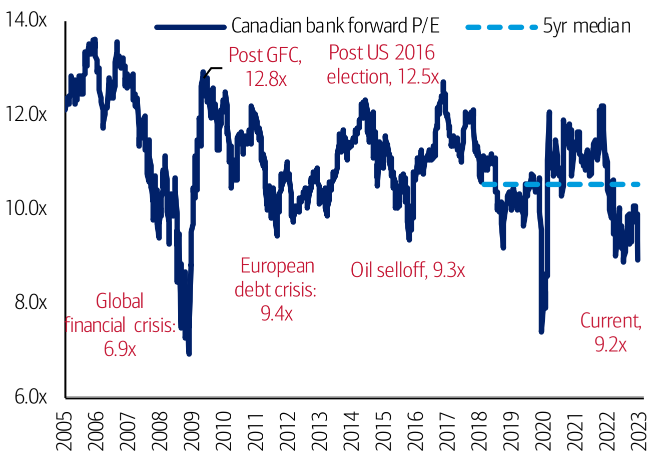
Discounted valuation reflects macro uncertainties.

Exhibit 6: Banks trading at 9.2x forward P/E, below historical median
Historical P/E



Source: BofA Global Research, Bloomberg

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Exhibit 7: Banks trading at 1.4x P/B, below historical median
Historical P/B

Source: BofA Global Research, Bloomberg

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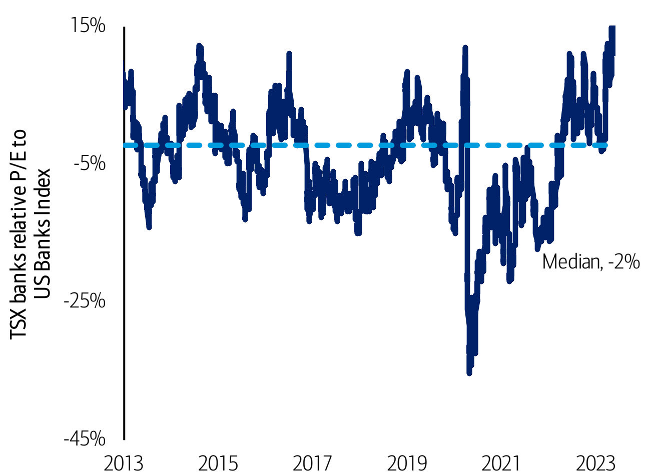
Premium to U.S. peers remains as uncertainty around regional banks leaves investors uninspired around the group.

Exhibit 8: CAD banks trade at +11% premium, above -2% historically
Canadian banks relative P/E to U.S. banks



Source: BofA Global Research, Bloomberg

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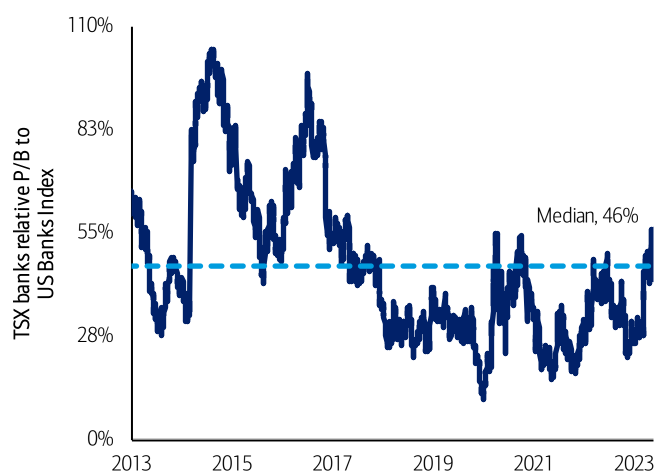
Exhibit 9: CAD banks trade at +43% premium, below +46% historically
Canadian banks relative P/B to U.S. banks



Source: BofA Global Research, Bloomberg

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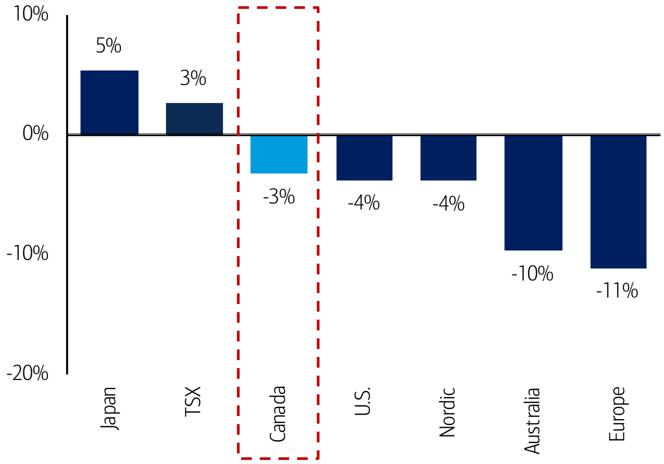
Exhibit 10: CAD banks have outperformed most global banking peers
Year-to-date (YTD) price performance



Source: BofA Global Research, Bloomberg

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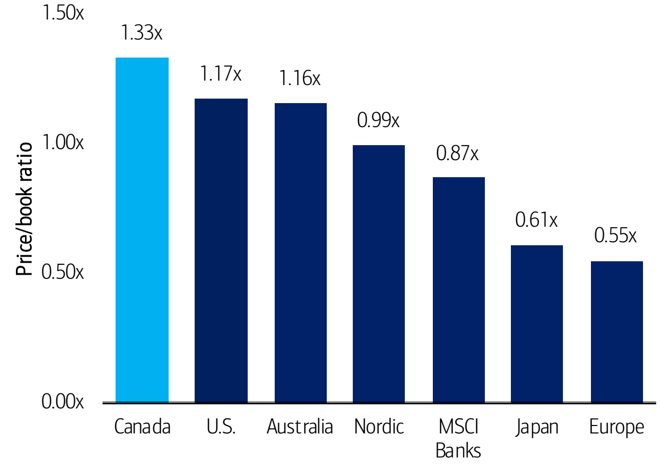
Exhibit 11: CAD banks trade at a P/B premium given stronger ROE
Global Price to Book (P/B) comparison



Source: BofA Global Research, Bloomberg

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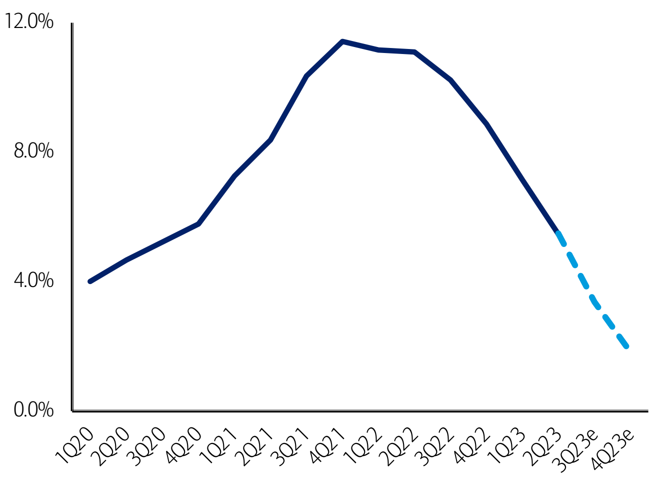
We expect mortgage growth to continue to slow throughout 2023 given the impact of rising interest rates, slowing economy.

Exhibit 12: Mortgage loan growth expected to remain pressured
BofAe average YoY Canadian mortgage growth



Source: BofA Global Research, company reports

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Exhibit 13: Current yields are down 27bp from peak levels
Canada 5 year yield

Source: BofA Global Research, Bloomberg

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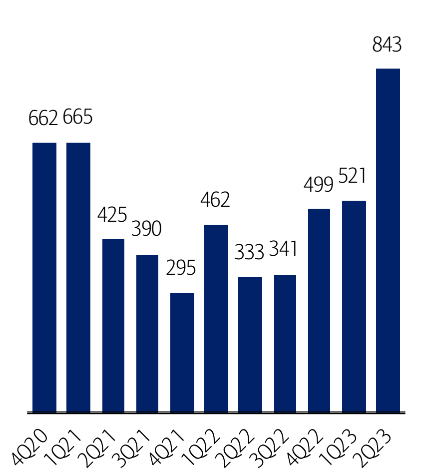
Gross impaired loan (GIL) formations remain elevated above lower levels in 2022.

Exhibit 14: BMO formations: +62% QoQ
BMO GIL formations (CAD $mns)



Source: BofA Global Research, company reports
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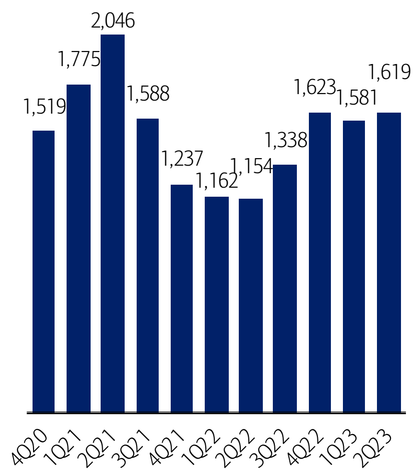
Exhibit 15: BNS formations: +2% QoQ
BNS GIL formations (CAD $mns)



Source: BofA Global Research, company reports
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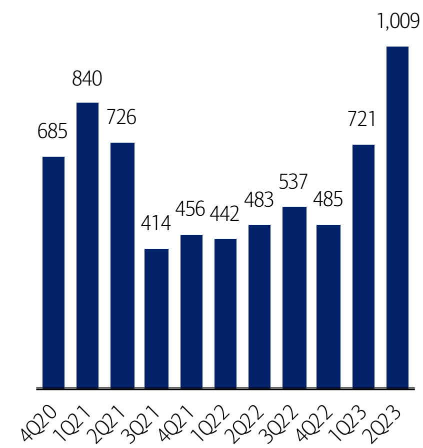
Exhibit 16: CM formations: +40% QoQ
CM GIL formations (CAD $mns)



Source: BofA Global Research, company reports
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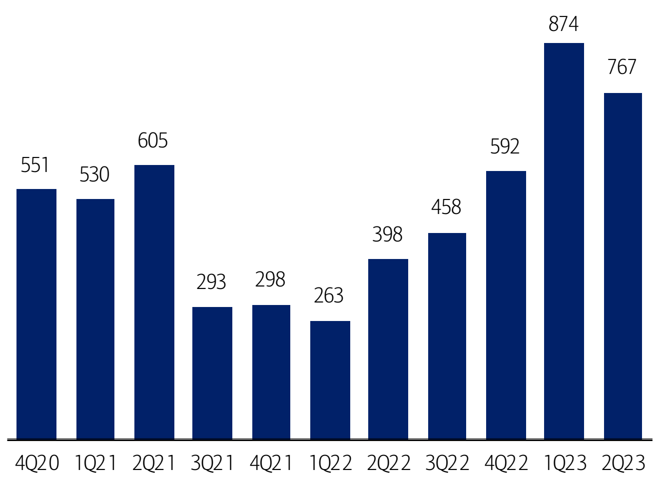
Exhibit 17: RY formations: -12% QoQ
RY GIL formations (CAD $mns)



Source: BofA Global Research, company reports
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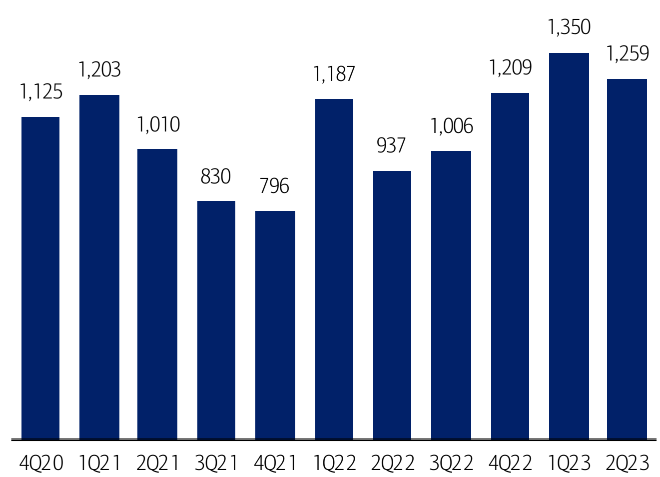
Exhibit 18: TD formations: -7% QoQ
TD GIL formations (CAD $mns)



Source: BofA Global Research, company reports
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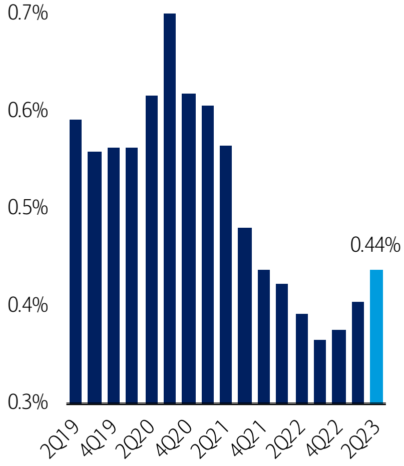
Normalization in credit is beginning to show, albeit slowly.

Exhibit 19: GILs increased 4bp QoQ to 44bp
Avg. gross impaired loans/total loans in bp



Source: BofA Global Research, company reports
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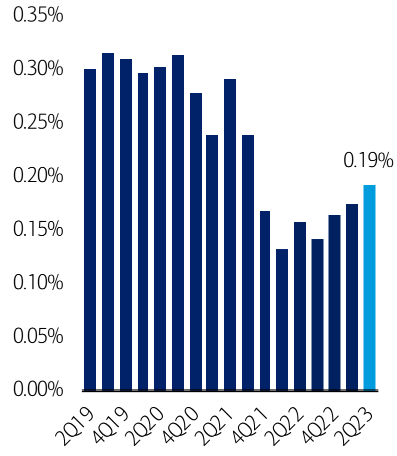
Exhibit 20: NCOs increased 2bp QoQ to 19bp
Avg. net write-offs/total loans in bp



Source: BofA Global Research, company reports
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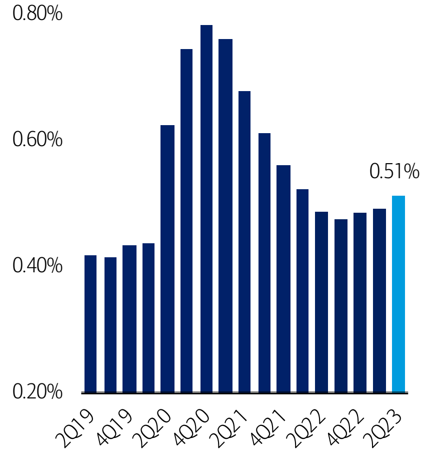
Exhibit 21: Perf. ACL rose 2bp QoQ to 51bp
Avg. performing allowance/total loans in bp



Source: BofA Global Research, company reports
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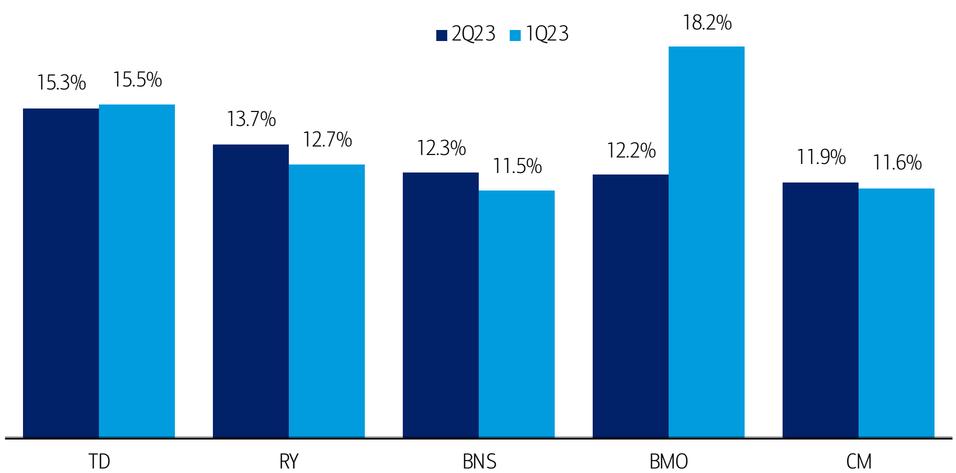
Banks well capitalized with common equity tier 1 (CET1) ratios nearing or above 12% following the boost from Basel implementation. Capital leverage non-existent, ex. TD Bank-TD which is operating with excess capital 10%+ of its market-cap.

Exhibit 22: CET1 ratios rose by 38bp on average QoQ*
2Q23 CET1 ratios vs. 1Q23 CET1 ratios



Source: BofA Global Research, company reports
*Excluding BMO due to capital consumption from Bank of the West deal closing February 1st, 2023
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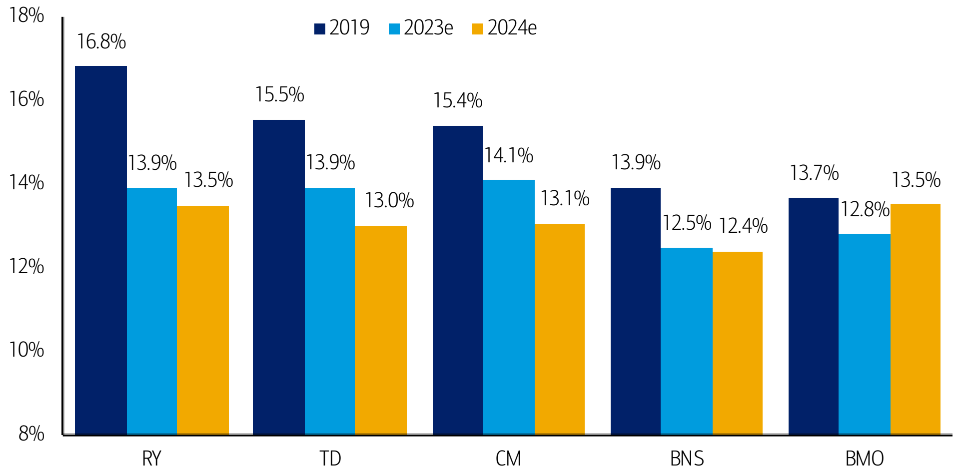
Exhibit 23: Profitability headwinds and elevated expenses provide pressure to estimated ROEs
ROE comparison: 2019 vs. BofA 2023e/2024e



Source: BofA Global Research estimates, company reports

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Operating trends

Exhibit 24: We are -1.3% below the Street on 2023 EPS outlook
EPS estimates: BofA vs. consensus

			3Q23e			2023e			2024e			2025e		
	Rating	PO	BofAe	Cons.	BofA vs. cons	BofAe	Cons.	BofA vs. cons	BofAe	Cons.	BofA vs. cons	BofAe	Cons.	BofA vs. cons
Canada Banks														
BMO	Neutral	$125.00	$2.99	$3.27	-8.4%	$12.27	$12.60	-2.6%	$13.50	$13.30	1.5%	$13.57	$13.54	0.2%
BNS	Neutral	$70.00	$1.76	$1.83	-3.8%	$7.08	$7.32	-3.3%	$7.54	$7.72	-2.3%	$8.25	$8.19	0.7%
CM	Underperform	$65.00	$1.79	$1.70	5.3%	$7.13	$6.97	2.4%	$7.05	$7.04	0.2%	$7.15	$6.81	5.0%
RY	Neutral	$130.00	$2.64	$2.80	-5.5%	$11.08	$11.35	-2.3%	$11.86	$12.09	-1.9%	$12.62	$13.19	-4.3%
TD	Buy	$90.00	$2.08	$2.10	-1.1%	$8.30	$8.36	-0.7%	$8.60	$8.64	-0.4%	$9.80	$8.51	15.2%
Average					-2.7%			-1.3%			-0.6%			0.4%

Source: BofA Global Research estimates, Bloomberg

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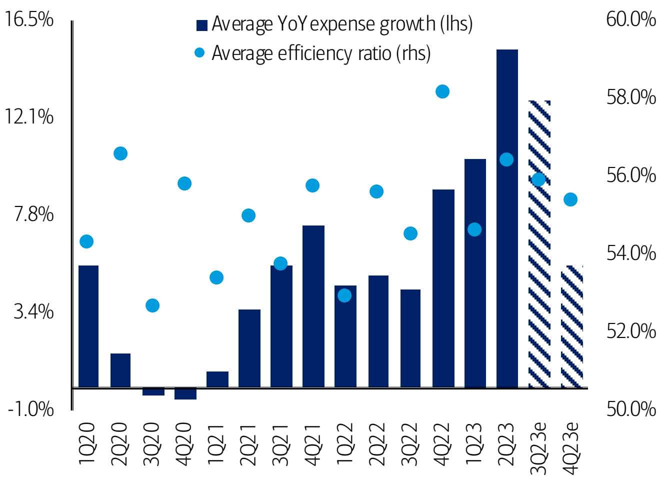
Banks will find positive operating leverage more challenging to reach, as expenses remain elevated, and provision builds continue to increase.

Exhibit 25: Expenses remain elevated YoY, but we expect moderation
BofAe average expense growth YoY



Source: BofA Global Research estimates, company reports

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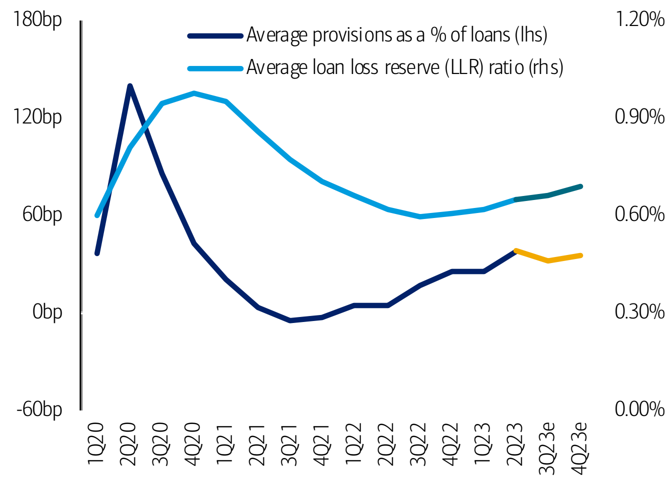
Exhibit 26: Provisions and reserves are expected to continue rising
BofAe provisioning and reserve levels



Source: BofA Global Research estimates, company reports

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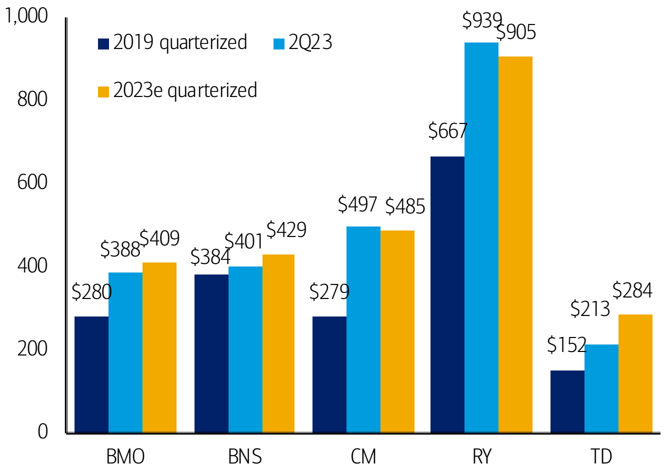
We expect provisioning to tick higher in FY23 given a softening macro environment.

We forecast a normalization in capital markets revenues (albeit expect these to stay above pre-COVID levels) and PCLs (credit costs) in 2023.

Exhibit 27: We expect capital markets revenue to remain muted
Capital markets earnings 2019 quarterly vs 2Q23 ($mn)



Source: BofA Global Research estimates, company reports

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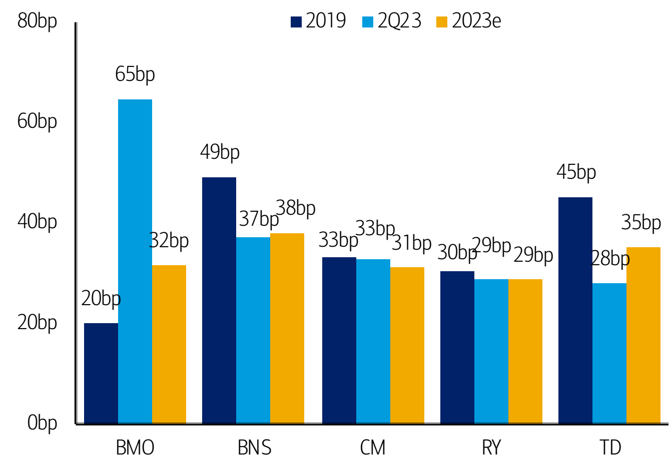
Exhibit 28: Banks are seeing PCL ratios drift higher
PCL ratio 2019 vs 2Q23



Source: BofA Global Research estimates, company reports

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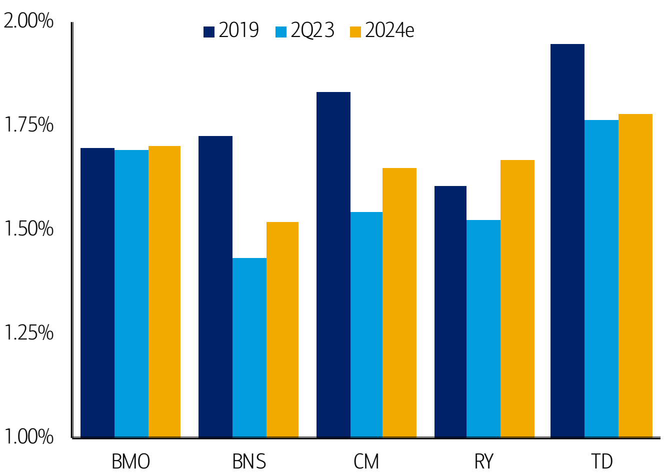
Exhibit 29: Margin expansion hard to come by as funding costs rise
Net interest margins vs. 2019 and 2024e



Source: BofA Global Research estimates, company reports

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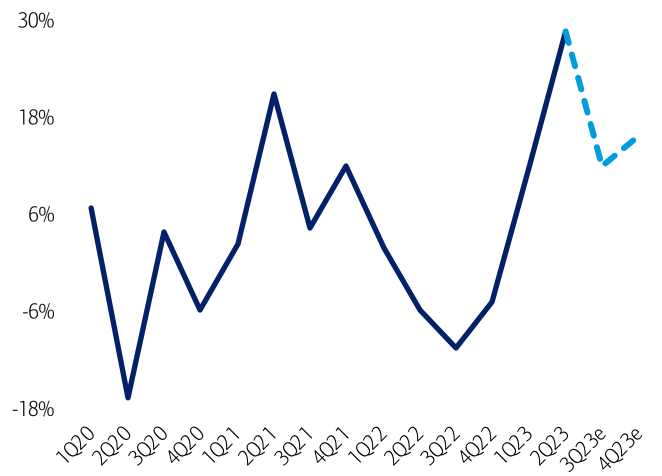
Exhibit 30: Fee growth expected to remain above 2022 levels
Historical and BofAe average YoY fee growth



Source: BofA Global Research estimates, company reports

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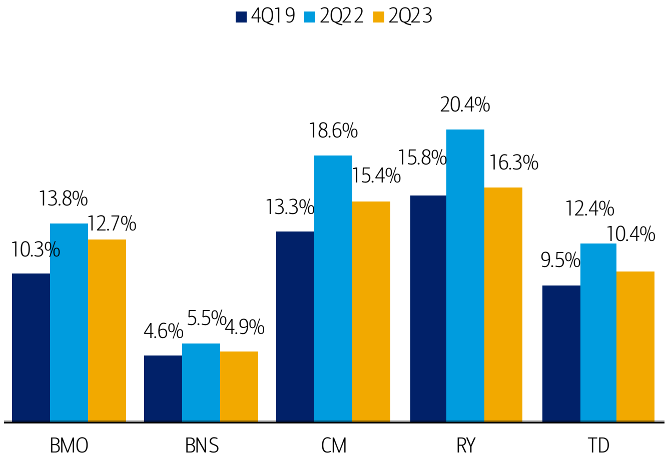
Banks are seeing intense mix shift, with depositors favoring higher yielding products such as GICS. Non-interest-bearing deposits as a % of total deposits has fallen 210bp from 2Q22, while term deposits as a % of total deposits has risen 830bp during the same time period.

Exhibit 31: NIB deposits have dropped as customers rate shop
Non-interest-bearing deposits as a % of total deposits comparison



Source: BofA Global Research, company reports

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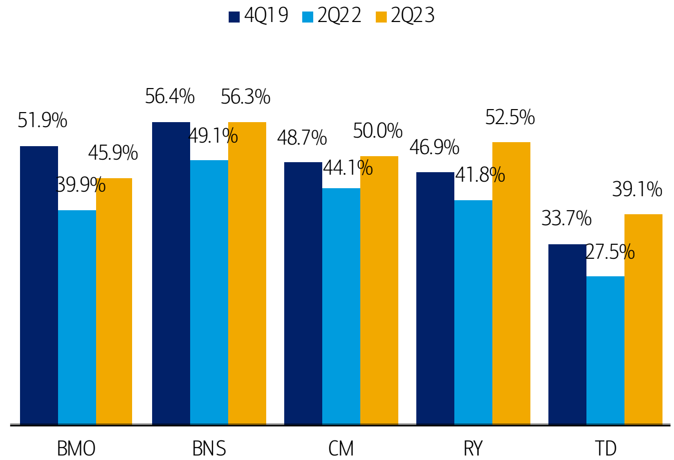
Exhibit 32: Banks are seeing migration into GICS as rates stay high
Term deposits (GICS) as a % of total deposits comparison



Source: BofA Global Research, company reports

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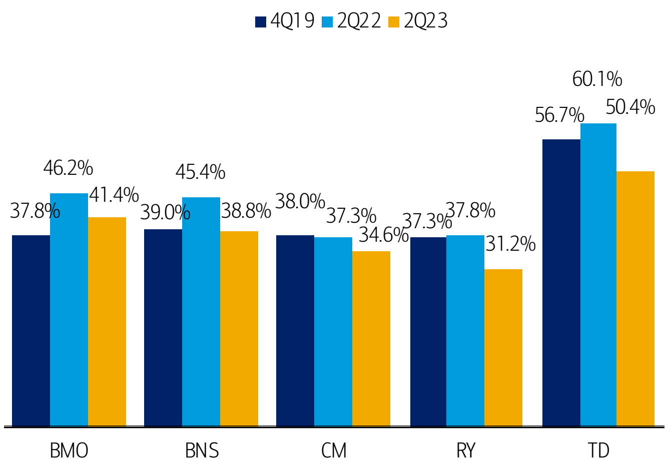
Exhibit 33: IB Demand deposits are less favored compared to GICS
Interest-bearing demand deposits as a % of total deposits comparison



Source: BofA Global Research, company reports

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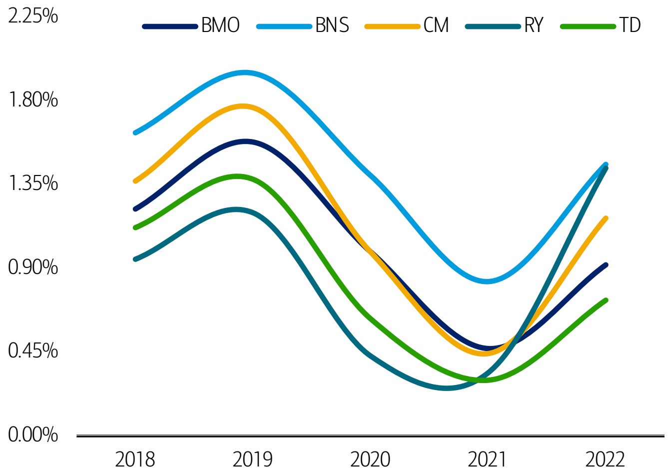
Catch up effect of deposit pricing and increased competition for have caused a surge in deposit costs.

Exhibit 34: 2022 saw the cost of deposits rise rapidly
Canadian bank cost of deposits from 2018-2022



Source: BofA Global Research, company filings

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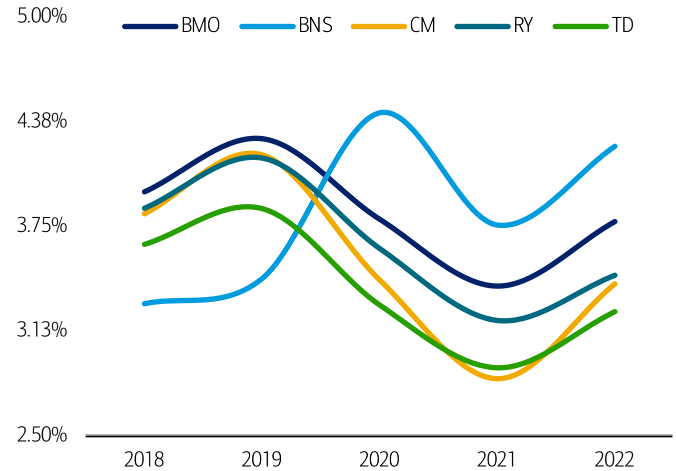
Exhibit 35: Loan yields picked up in 2022, but will lessen over time
Canadian bank loan yields from 2018-2022



Source: BofA Global Research, company filings

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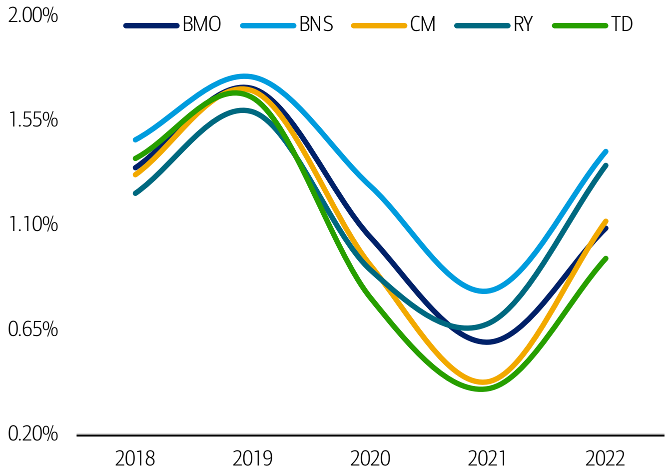
High interest rates were a positive for Canadian bank asset yields, but deposit and borrowing costs are beginning to grow at a faster pace.

Exhibit 36: Borrowing costs also saw a sharp rise in 2022
Canadian bank cost of liabilities from 2018-2022



Source: BofA Global Research, company filings

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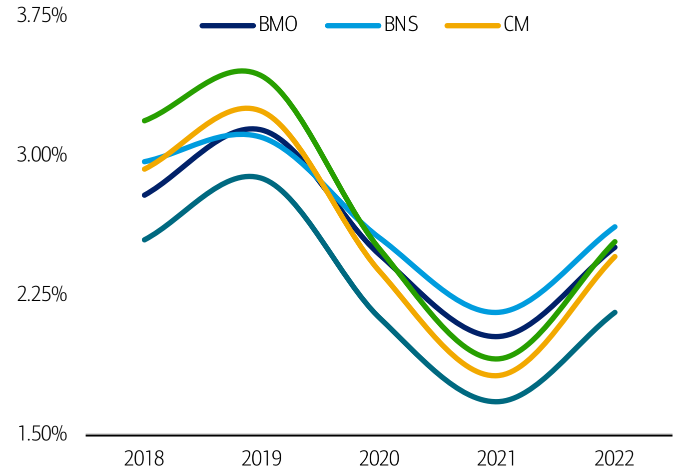
Exhibit 37: Earning asset yields rose from lows in 2021
Canadian bank AEA yields from 2018-2022



Source: BofA Global Research, company filings

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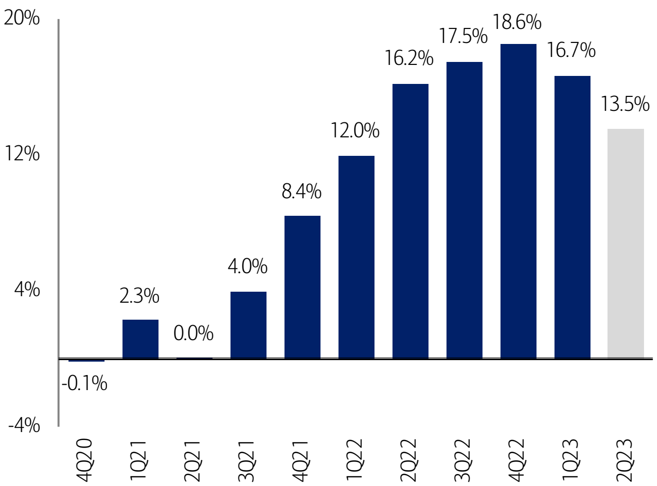
Exhibit 38: Comm. loan growth continues to slow as rates stay high
Avg. Canadian commercial loan growth YoY



Source: BofA Global Research, company reports

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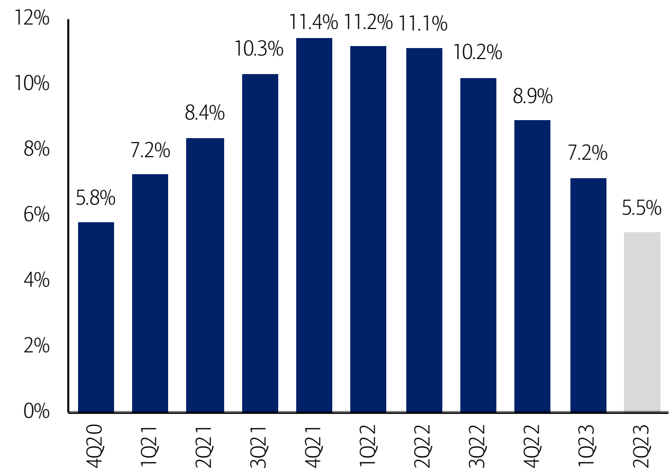
Exhibit 39: Pressure on housing causing continued decline in growth
Avg. Canadian mortgage loan growth



Source: BofA Global Research. company reports

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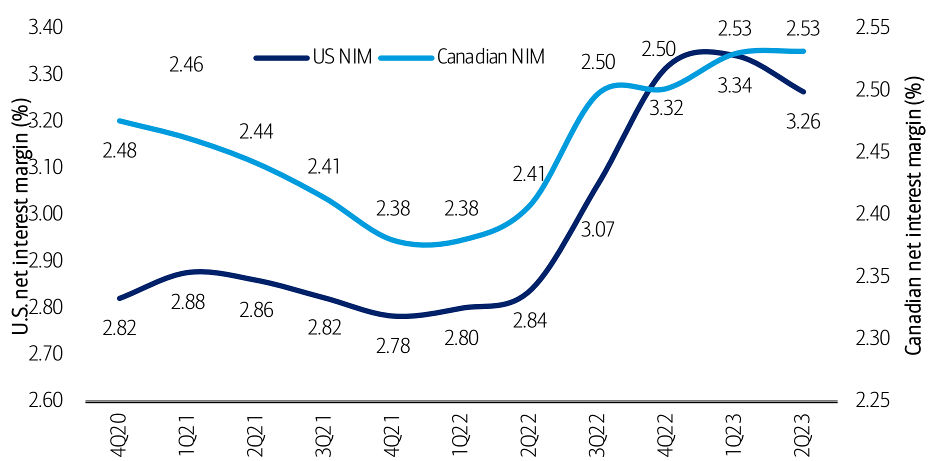
Margins may be due to expand much slower or contract as funding costs rise faster than asset yields.

Exhibit 40: Peak NIM may be behind us as high-cost deposits provide margin headwinds
Avg. Canadian and U.S. margin trends



Source: BofA Global Research, company reports

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Credit trends normalizing

Exhibit 41: Banks have ramped up provisioning*

PCL summary by bank

2Q23	BMO	BNS	CM	RY	TD
Total PCL ratio	0.23%	0.37%	0.33%	0.30%	0.28%
Performing PCL ratio	0.05%	0.04%	0.04%	0.09%	0.02%
Impaired PCL ratio	0.16%	0.33%	0.29%	0.21%	0.26%
Impaired PCL ratios					
Total Consumer	0.27%	0.45%	0.29%	0.19%	0.36%
Total Commercial	0.07%	0.11%	0.27%	0.26%	0.07%
Canada	0.18%	N/A	0.25%	0.22%	0.17%
US	0.12%	N/A	0.50%	0.28%	0.48%

Source: BofA Global Research, company reports

Note BMO excludes provision added for completion of BOW acquisition

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Exhibit 42: Banks continue to build reserves for worsening credit

ACL summary by bank

2Q23	BMO	BNS	CM	RY	TD
Loan loss allowance ratio	0.61%	0.75%	0.65%	0.56%	0.79%
Credit loss allowance ratio	0.70%	0.78%	0.69%	0.57%	0.91%
Loan allowances	3,350	5,736	3,397	4,777	6,644
Credit allowances	3,833	5,931	3,581	4,808	7,647
Total loans	638,125	769,804	530,793	855,745	856,262

Source: BofA Global Research, company reports

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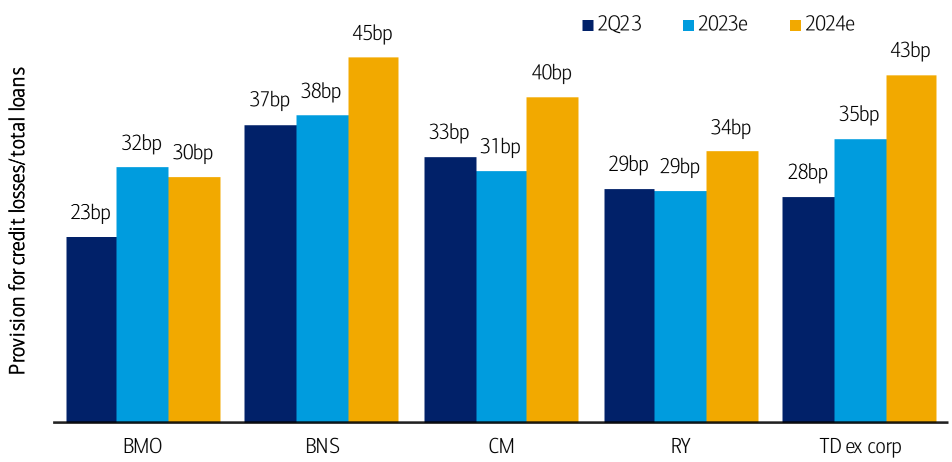
2Q23 saw a modest rise of 4bp sequentially (to 30bp from 26bp in 1Q23) in PCLs. As credit continues to worsen and the macro backdrop remains uncertain, we forecast provisions for credit losses/total loans to average 33 bp and 39bp in 2023 and 2024.

Exhibit 43: We forecast provisions for credit losses/total loans to average 33/39bp in 2023/2024

PCL forecast compared to 2Q23 results*



Source: BofA Global Research estimates, company reports

Note: TD's PCL ratio excludes corp segment, BMO excludes provision added for completion of BOW acquisition

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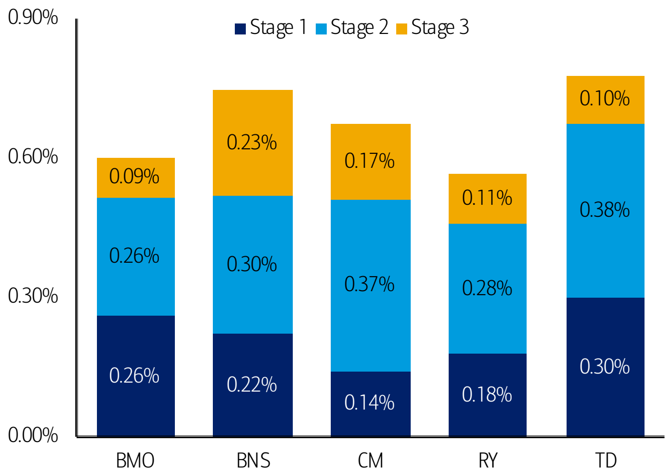
Impaired allowances increased slightly QoQ. Banks are expecting a return to normalized levels of PCLs (credit costs) as the macro environment becomes increasingly uncertain.

Exhibit 44: Banks on average increased their allowances by +3bp QoQ
2Q23 ACL summary by bank



Source: BofA Global Research, company reports
Note: BMO, CM, RY represent credit allowances, BNS, TD represent loan allowances
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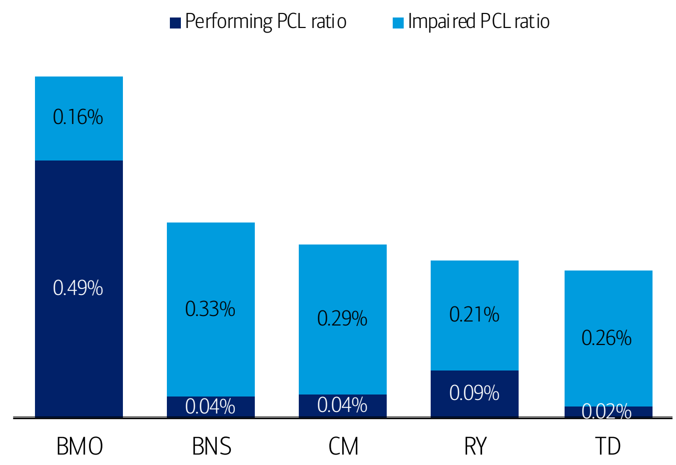
Exhibit 45: Banks on average saw a +1bp increase to PCL ratios QoQ*
2Q23 PCL summary by bank



Source: BofA Global Research, company reports
Note: Excluding BMO, who added provisions for the close of BOW acquisition
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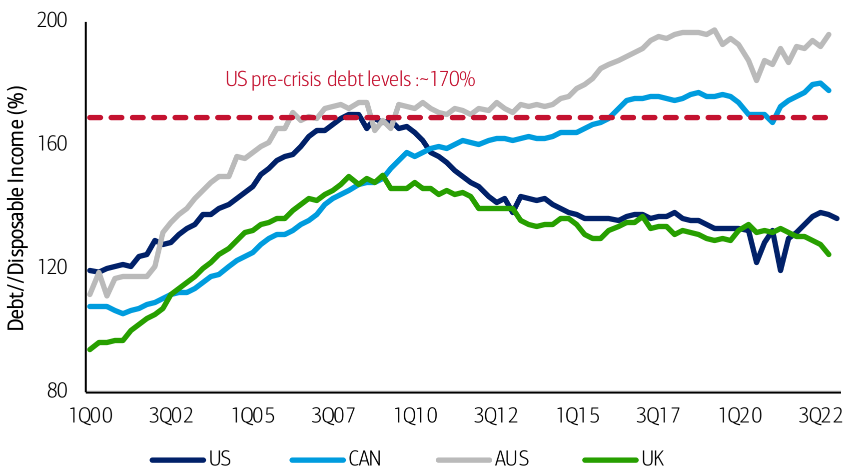
Increasing mortgage debt likely contributing to Canadian consumer debt levels rising.

Exhibit 46: HH debt/disp. income particularly in Canada continues to rise from pandemic lows
Household debt to disposable income



Source: BofA Global Research, Haver
BofA GLOBAL RESEARCH

Exhibit 47: Allowance ratios for the Canadian banks remain low compared to U.S. mega cap peers; 67bp vs. 179bp
Allowance by loan type vs US mega cap peers

2Q23	BMO	BNS	CM	RY	TD	Canada average	US mega cap average
Resi mortgages	0.13%	0.28%	0.14%	0.11%	0.11%	0.15%	0.22%
Consumer Instalment and other personal	0.72%	2.22%	2.04%	1.21%	0.81%	1.40%	1.44%
Credit cards	3.85%	7.07%	4.29%	4.57%	5.04%	4.96%	7.28%
Business and government	0.68%	0.45%	0.78%	0.67%	0.89%	0.70%	1.38%
Total allowances	0.60%	0.75%	0.67%	0.57%	0.78%	0.67%	1.79%

Source: BofA Global Research, company reports
Note: BMO, RY represent credit allowances, BNS, CM, TD represent loan allowances
US represents 1Q23

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Data Snapshot

Exhibit 48: EPS growth was -9.9% YoY on average in 2Q23

EPS growth (YoY)

	YoY EPS Growth (%)									2Q23 chg (bp)		YoY EPS Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	202.0	86.0	38.2	27.0	3.4	(10.1)	(8.8)	(17.1)	(9.5)	753	(1,296)	13.3	4.7	(18.2)	68.1	2.3	(7.4)	10.0
BNS	83.2	92.8	44.7	14.5	14.6	4.7	(1.5)	(14.1)	(21.9)	(782)	(3,658)	6.7	2.2	(25.0)	47.3	7.8	(16.7)	6.6
CM	280.9	39.7	20.5	14.2	(1.5)	(2.6)	(21.4)	(5.0)	(4.0)	106	(252)	12.1	(2.4)	(18.7)	47.8	(2.5)	2.2	(1.1)
RY	170.2	34.6	22.4	4.8	5.7	(15.1)	0.2	9.9	(10.1)	(1,997)	(1,585)	13.8	3.2	(10.5)	41.4	(1.4)	(0.2)	7.0
TD	140.3	58.3	31.3	13.8	(1.0)	6.4	4.6	7.5	(4.1)	(1,157)	(303)	16.9	3.5	(20.3)	48.3	5.7	(0.7)	3.6
Average	175.3	62.3	31.4	14.9	4.3	(3.3)	(5.4)	(3.8)	(9.9)	(615)	(1,419)	12.6	2.2	(18.5)	50.6	2.4	(4.6)	5.2

Source: BofA Global Research estimates, company reports

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Exhibit 49: Consolidated net interest margin expanded 6bp in 2Q23

Net interest margin – consolidated

	Net Interest Margin (%)									2Q23 chg (bp)		Net Interest Margin (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	1.59	1.57	1.62	1.64	1.69	1.71	1.46	1.48	1.69	22	1	1.68	1.70	1.64	1.59	1.62	1.63	1.70
BNS	1.62	1.58	1.55	1.51	1.58	1.57	1.52	1.44	1.43	-1	-15	1.90	1.73	1.64	1.60	1.54	1.45	1.52
CM	1.59	1.60	1.58	1.60	1.61	1.61	1.51	1.49	1.54	5	-7	1.88	1.83	1.69	1.59	1.58	1.55	1.65
RY	1.50	1.51	1.43	1.39	1.45	1.52	1.56	1.47	1.53	6	7	1.64	1.61	1.56	1.48	1.48	1.52	1.67
TD	1.56	1.56	1.58	1.57	1.64	1.74	1.81	1.79	1.76	-3	12	1.94	1.95	1.72	1.56	1.69	1.77	1.78
Average	1.57	1.56	1.55	1.54	1.59	1.63	1.57	1.53	1.59	6	0	1.81	1.76	1.65	1.56	1.58	1.59	1.66

Source: BofA Global Research estimates, company reports

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Exhibit 50: U.S. net interest margin contracted -8bp in 2Q23

Net interest margin – U.S.

	US NIM									2Q23 chg (bp)		US Net Interest Margin (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	3.51	3.49	3.46	3.49	3.50	3.70	3.88	3.92	3.96	4	46	3.66	3.47	3.58	3.69	3.72	3.53	3.34
RY	2.28	2.15	1.98	2.06	2.25	2.59	2.77	2.62	2.44	-18	19	3.45	3.55	2.74	2.15	2.42	2.41	2.21
TD	2.15	2.16	2.21	2.21	2.21	2.62	3.13	3.29	3.25	-4	104	3.27	3.31	2.66	2.19	2.54	3.24	3.17
CM	3.51	3.49	3.48	3.44	3.39	3.37	3.49	3.54	3.41	-13	1	3.42	3.72	3.35	3.50	3.42	3.42	3.30
Average	2.86	2.82	2.78	2.80	2.84	3.07	3.32	3.34	3.26	-8	43	3.45	3.51	3.08	2.88	3.03	3.15	3.00

Note: for RY, US NIM based on wealth division, which houses the City National franchise.

Source: BofA Global Research estimates, company reports

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Exhibit 51: Canadian net interest margin remained flat in 2Q23

Net interest margin – Canada

	Canadian Net Interest Margin (%)									2Q23 chg (bp)		Canadian Net Interest Margin (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	2.66	2.62	2.63	2.68	2.66	2.72	2.66	2.70	2.70	0	4	2.61	2.65	2.60	2.64	2.68	2.68	2.67
BNS	2.26	2.23	2.20	2.19	2.22	2.29	2.26	2.26	2.30	4	8	2.38	2.41	2.30	2.24	2.24	2.31	2.40
CM	2.22	2.19	2.17	2.18	2.19	2.29	2.19	2.16	2.27	11	8	2.40	2.41	2.35	2.21	2.21	2.28	2.41
RY	2.55	2.51	2.42	2.41	2.45	2.60	2.70	2.73	2.65	-8	20	2.73	2.79	2.64	2.50	2.54	2.65	2.68
TD	2.52	2.52	2.48	2.44	2.52	2.59	2.70	2.80	2.74	-6	22	2.81	2.84	2.68	2.52	2.57	2.72	2.66
Average	2.44	2.41	2.38	2.38	2.41	2.50	2.50	2.53	2.53	0	12	2.59	2.62	2.51	2.42	2.45	2.53	2.56

Source: BofA Global Research estimates, company reports

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Exhibit 52: Efficiency ratios increased 256bp QoQ on average in 2Q23
Consolidated efficiency ratio

	Consolidated Efficiency Ratio (%)									2Q23 chg (bp)		Efficiency (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	56.3	55.7	57.4	53.9	55.6	56.7	61.8	60.5	61.7	119	604	61.9	61.4	59.8	56.4	56.9	60.1	56.4
CM	55.9	57.7	61.9	55.0	57.9	57.1	64.6	55.6	57.0	146	(91)	57.3	56.4	57.1	57.6	58.6	56.0	54.5
BNS	52.2	52.8	53.1	52.5	52.4	53.7	54.0	55.9	57.7	177	535	52.7	53.1	53.5	51.9	53.0	56.8	55.1
RY	54.9	50.3	52.3	51.0	58.1	52.6	57.4	50.8	55.4	458	(266)	53.4	52.3	52.8	51.9	54.7	54.3	54.7
TD	55.4	52.2	54.0	52.4	54.1	52.3	52.9	50.4	54.2	383	12	51.8	51.8	50.9	53.6	52.9	52.2	52.3
Average	55.0	53.7	55.8	52.9	55.6	54.5	58.1	54.6	57.2	256	159	55.4	55.0	54.8	54.3	55.2	55.9	54.6

Source: BofA Global Research estimates, company reports

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Exhibit 53: Fee income growth expanded 1,650bp QoQ on average in 2Q23
Fee growth (YoY)

	YoY Fee Growth (%)									2Q23 chg (bp)		YoY Fee Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	42.9	6.0	9.1	(8.0)	(29.6)	(28.1)	(13.2)	31.9	103.2	7,122	13,280	7.1	10.0	(10.2)	10.8	(19.8)	43.0	1.4
BNS	3.7	5.1	10.5	2.8	1.3	(9.7)	(2.7)	(9.1)	(1.8)	731	(307)	5.9	9.8	(3.2)	8.1	(4.4)	2.3	5.6
CM	18.1	9.3	14.3	12.4	5.0	8.2	7.1	15.6	9.3	(622)	429	12.3	2.0	(4.2)	10.1	8.2	10.1	(2.3)
RY	38.5	(1.0)	20.4	(1.2)	(11.4)	(19.3)	(13.5)	13.6	23.4	981	3,478	5.1	5.8	2.6	10.8	(11.2)	15.7	1.6
TD	2.3	2.7	7.0	4.3	6.1	(3.0)	(0.2)	9.7	10.1	40	393	10.1	3.8	3.0	4.9	1.8	9.3	(2.6)
Average	21.1	4.5	12.3	2.1	(5.7)	(10.4)	(4.5)	12.3	28.8	1,650	3,454	8.1	6.3	(2.4)	8.9	(5.1)	16.1	0.7

Source: BofA Global Research estimates, company reports

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Exhibit 54: Expense growth increased 1,015bp YoY on average in 2Q23
Expense growth (YoY)

	YoY Expense Growth (%)									2Q23 chg (bp)		YoY Expense Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	2.9	7.5	5.8	6.8	1.9	2.7	6.4	9.0	32.6	2,357	3,071	3.5	4.9	0.3	3.6	4.5	20.8	3.8
BNS	(6.5)	3.0	1.3	0.4	2.9	2.3	5.6	5.7	10.0	432	713	3.6	9.2	0.6	(1.4)	2.8	9.8	3.6
CM	1.9	10.9	18.9	10.9	13.0	9.1	11.1	8.9	4.4	(453)	(859)	7.2	2.0	2.2	7.8	11.0	2.4	2.0
RY	7.4	0.6	6.8	1.8	2.2	(0.5)	11.5	15.2	15.0	(27)	1,279	4.8	5.1	5.0	2.6	3.7	11.9	7.4
TD	12.1	5.4	3.8	3.1	5.3	8.6	9.9	12.5	14.0	149	871	4.0	5.5	1.2	6.6	6.8	9.0	0.6
Average	3.6	5.5	7.3	4.6	5.1	4.4	8.9	10.3	15.2	492	1,015	4.6	5.4	1.9	3.8	5.7	10.8	3.5

Source: BofA Global Research estimates, company reports

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Exhibit 55: Avg. Canadian commercial loans increased 13.5% YoY on average in 2Q23

Average Canadian commercial loan growth (YoY)

	Canadian Commercial Loan Growth YoY									2Q23 chg (bp)		YoY Avg Loan Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	-0.6%	1.2%	6.0%	9.9%	13.3%	16.3%	17.5%	16.2%	11.7%	(442)	(152)	10.0%	15.9%	4.3%	2.0%	14.3%	9.8%	4.5%
BNS	3.6%	7.1%	11.3%	16.0%	19.2%	22.9%	25.0%	22.5%	17.7%	(480)	(144)	13.1%	14.7%	4.6%	6.7%	20.9%	15.3%	7.0%
CM	2.1%	8.7%	14.4%	18.8%	22.2%	20.5%	19.6%	14.3%	9.8%	(448)	(1,240)	9.2%	12.3%	5.8%	6.7%	20.3%	8.4%	8.2%
RY	-6.8%	-3.9%	-0.2%	1.6%	10.4%	13.2%	16.1%	16.7%	17.0%	23	652	12.9%	11.0%	6.1%	-2.7%	10.3%	14.1%	45.8%
TD	1.9%	6.8%	10.5%	13.6%	16.1%	14.7%	14.7%	13.8%	11.4%	(237)	(471)	10.0%	8.7%	6.9%	5.7%	14.8%	10.6%	7.7%
Average	0.0%	4.0%	8.4%	12.0%	16.2%	17.5%	18.6%	16.7%	13.5%	(317)	(271)	11.1%	12.5%	5.5%	3.7%	16.1%	11.6%	14.6%

Source: BofA Global Research estimates, company reports

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Exhibit 56: Avg. Canadian commercial loans increased 2.4% QoQ on average in 2Q23

Average Canadian commercial loan growth (QoQ)

	Canadian Commercial Loan Growth QoQ									2Q23 chg (bp)		YoY Avg Loan Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	2.4%	1.7%	2.1%	3.3%	5.6%	4.5%	3.1%	2.1%	1.5%	-59	-401	10.0%	15.9%	4.3%	2.0%	14.3%	9.8%	4.5%
BNS	3.6%	3.8%	2.4%	5.4%	6.4%	7.0%	4.1%	3.3%	2.3%	-106	-417	13.1%	14.7%	4.6%	6.7%	20.9%	15.3%	7.0%
CM	3.2%	5.8%	3.6%	5.1%	6.2%	4.3%	2.8%	0.4%	2.0%	158	-416	9.2%	12.3%	5.8%	6.7%	20.3%	8.4%	8.2%
RY	-4.8%	2.0%	2.0%	2.5%	3.5%	4.6%	4.6%	3.1%	3.7%	61	20	12.9%	11.0%	6.1%	-2.7%	10.3%	14.1%	45.8%
TD	2.2%	4.8%	2.6%	3.3%	4.5%	3.6%	2.6%	2.5%	2.3%	-24	-218	10.0%	8.7%	6.9%	5.7%	14.8%	10.6%	7.7%
Average	1.3%	3.6%	2.5%	3.9%	5.2%	4.8%	3.4%	2.3%	2.4%	6	-286	11.1%	12.5%	5.5%	3.7%	16.1%	11.6%	14.6%

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 57: Avg. Canadian mortgage loans increased 5.5% YoY on average in 2Q23

Average Canadian mortgage loan growth (YoY)

	Canadian Mortgage Growth YoY									2Q23 chg (bp)		YoY Avg Loan Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	6.3%	8.3%	9.3%	8.2%	7.6%	7.1%	7.9%	9.3%	9.1%	-18	154	0.9%	0.8%	3.5%	7.3%	7.7%	7.8%	4.0%
BNS	7.8%	10.2%	13.2%	14.7%	15.8%	14.4%	10.6%	6.8%	3.4%	-337	-1234	4.8%	3.1%	6.1%	9.7%	13.8%	2.7%	1.4%
CM	7.7%	10.9%	12.8%	13.1%	12.4%	10.8%	8.8%	6.6%	4.5%	-207	-791	5.6%	-4.5%	1.3%	9.3%	11.2%	3.5%	3.9%
RY	12.6%	12.9%	12.5%	10.8%	11.0%	10.5%	9.8%	8.2%	6.5%	-164	-449	5.9%	5.9%	9.6%	12.6%	10.5%	5.1%	12.5%
TD	7.5%	9.3%	9.3%	9.0%	8.8%	8.3%	7.3%	5.1%	3.9%	-114	-488	1.2%	2.2%	4.1%	8.1%	8.3%	2.9%	4.0%
Average	8.4%	10.3%	11.4%	11.2%	11.1%	10.2%	8.9%	7.2%	5.5%	-168	-562	3.7%	1.5%	4.9%	9.4%	10.3%	4.4%	5.2%

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 58: Avg. deposits increased 10.6% YoY in 2Q23

Average deposit growth (YoY)

	YoY Average Deposit Growth (%)									2Q23 chg (bp)		YoY Average Deposit Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	8.7	6.4	6.1	7.0	5.7	3.7	8.1	10.0	24.8	1487	1912	3.6	9.7	15.1	9.0	6.1	19.0	5.5
BNS	(3.5)	(2.0)	4.9	9.2	14.8	13.6	16.1	13.0	9.7	-330	-513	4.7	11.1	7.5	0.0	13.5	9.6	3.9
CM	18.9	11.2	9.9	9.2	11.0	11.6	13.5	12.5	10.8	-170	-24	10.8	8.6	15.9	15.8	11.4	9.3	7.3
RY	9.1	4.6	8.8	10.5	9.8	10.1	9.6	6.9	4.6	-233	-527	6.3	6.2	11.6	9.1	10.0	4.2	8.4
TD	13.6	3.1	0.8	0.4	3.8	6.6	8.4	7.3	2.8	-442	-95	5.2	4.2	18.0	10.2	4.8	1.2	(0.8)
Average	9.4	4.7	6.1	7.3	9.0	9.1	11.1	9.9	10.6	63	151	6.1	8.0	13.6	8.8	9.1	8.7	4.9

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 59: PCLs increased in 2Q23, up +13bp (+4bp ex BOW acquisition for BMO) on avg
Provisions for credit losses/total loans (PCLs)

	Consolidated PCLs (bp)									2Q23 chg (bp)		PCLs (bp)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	5	(6)	(11)	(8)	4	10	16	15	65	50	61	17	20	63	0	6	32	30
BNS	33	24	10	13	13	22	28	33	37	4	24	42	49	97	30	20	38	45
CM	3	(9)	7	6	25	19	33	22	33	11	8	23	33	62	4	21	31	40
RY	(6)	(31)	(12)	6	(18)	17	18	25	29	4	47	23	30	65	(11)	6	29	34
TD	(21)	(2)	(7)	4	1	17	29	32	28	-4	27	39	45	102	(3)	14	35	43
Average	3	(5)	(3)	4	5	17	25	26	38	13	33	29	36	78	4	13	33	39

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 60: Common Equity Tier 1 ratios decreased 82bp QoQ on average in 2Q23
Common Equity Tier 1 (CET1) ratios

	Common Equity Tier 1 Ratio (%)									2Q23 chg (bp)		Common Equity Tier 1 Ratio (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	13.0	13.4	13.7	14.1	16.0	15.8	16.7	18.2	12.2	(600)	(380)	11.3	11.4	11.9	13.7	16.7	12.4	12.7
BNS	12.3	12.2	12.3	12.0	11.6	11.4	11.5	11.5	12.3	83	73	11.1	11.1	11.8	12.3	11.5	12.4	12.7
CM	12.4	12.3	12.4	12.2	11.7	11.8	11.7	11.6	11.9	25	16	11.4	11.6	12.1	12.4	11.7	12.1	12.2
RY	12.8	13.6	13.7	13.5	13.2	13.1	12.6	12.7	13.7	96	51	11.5	12.1	12.5	13.7	12.6	14.2	14.1
TD	14.2	14.5	15.2	15.2	14.7	14.9	16.2	15.5	15.3	(14)	65	12.0	12.1	13.1	15.2	16.2	14.7	14.9
Average	12.9	13.2	13.4	13.4	13.4	13.4	13.7	13.9	13.1	(82)	(35)	11.5	11.6	12.3	13.4	13.7	13.2	13.3

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 61: Dividends increased 7.9% YoY in 2Q23
Dividend growth (YoY)

	YoY Dividend Growth (%)									2Q23 chg (bp)		YoY Dividend Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	0.0	0.0	0.0	25.5	25.5	31.1	31.1	7.5	7.5	0	(1,795)	6.2	7.4	4.4	0.0	28.3	6.6	5.2
BNS	0.0	0.0	0.0	11.1	11.1	14.4	14.4	3.0	6.0	300	(511)	7.5	6.4	3.2	0.0	12.8	3.7	2.1
CM	0.0	0.0	0.0	10.3	10.3	13.7	13.7	5.6	8.1	248	(220)	4.7	5.3	3.9	0.3	12.0	5.8	2.9
RY	0.0	0.0	0.0	11.1	11.1	18.5	18.5	10.0	10.0	0	(111)	8.3	8.0	5.4	0.7	14.8	7.7	3.4
TD	0.0	0.0	0.0	12.7	12.7	12.7	12.7	7.9	7.9	0	(479)	11.1	10.7	7.6	1.6	12.7	7.9	0.0
Average	0.0	0.0	0.0	14.1	14.1	18.1	18.1	6.8	7.9	110	(623)	7.6	7.6	4.9	0.5	16.1	6.3	2.7

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 62: RWAs increased 3.7% QoQ on average in 2Q23

Risk weighted asset (RWA) growth (QoQ)

	RWA Growth (QoQ)									2Q23 chg (bp)		RWA Growth						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	-2.7%	0.9%	0.9%	3.8%	1.4%	2.8%	3.5%	-4.5%	20.9%	2,542	1,950	7.6%	9.6%	6.2%	-3.3%	11.9%	17.5%	4.7%
BNS	-0.5%	2.3%	0.5%	4.2%	2.7%	1.7%	2.1%	2.0%	-4.3%	(630)	(701)	6.4%	5.2%	-1.0%	-0.2%	11.1%	-0.5%	4.5%
CM	0.7%	4.3%	1.4%	4.2%	5.4%	1.4%	3.9%	-0.2%	2.0%	214	(343)	6.3%	11.0%	6.3%	7.0%	15.7%	5.0%	6.4%
RY	-0.3%	-2.3%	1.7%	3.0%	2.9%	0.5%	3.5%	0.7%	-3.4%	(409)	(628)	4.4%	3.5%	6.5%	1.2%	10.4%	-1.9%	9.8%
TD	-2.6%	2.3%	-1.1%	2.3%	3.9%	1.4%	4.3%	2.8%	3.3%	52	(51)	0.0%	4.7%	5.0%	-3.9%	12.3%	8.7%	-3.1%
Average	-1.1%	1.5%	0.7%	3.5%	3.2%	1.6%	3.5%	0.2%	3.7%	354	45	5.0%	6.8%	4.6%	0.1%	12.3%	5.8%	4.5%

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 63: Consolidated tax rates fell 149bp QoQ on average in 2Q23

Consolidated tax rates

	Consolidated Tax Rate %									2Q23 chg (bp)		Consolidated Tax Rate %						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	22.9	23.2	22.8	23.5	23.6	22.0	21.8	21.8	21.1	(70)	(251)	20.7	21.1	19.8	22.9	19.2	11.8	21.8
BNS	23.2	22.5	21.5	24.0	22.9	18.8	17.5	18.3	18.3	3	(458)	21.7	20.6	19.6	22.4	21.0	18.9	21.4
CM	23.0	22.7	22.2	22.1	22.3	22.3	19.3	22.1	20.1	(203)	(214)	20.0	20.6	21.9	22.5	21.7	21.7	24.7
RY	22.6	22.9	21.9	24.1	19.7	21.5	20.2	21.9	17.6	(435)	(218)	20.0	19.3	20.6	22.2	21.4	25.4	21.4
TD	22.2	22.0	20.9	22.4	23.1	20.8	16.9	22.0	21.6	(40)	(143)	21.3	21.5	20.0	21.7	20.8	20.9	20.1
Average	22.8	22.7	21.9	23.2	22.3	21.1	19.1	21.2	19.7	(149)	(257)	20.7	20.6	20.4	22.4	20.8	19.7	21.9

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 64: Capital markets tax rates fell 37bp QoQ on average in 2Q23

Capital markets tax rates

	Capital Markets Tax Rate %									2Q23 chg (bp)		Capital Markets Tax Rate %						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	25.6	26.5	25.0	25.7	25.5	25.7	21.9	21.1	25.2	419	(25)	24.1	22.1	24.1	25.8	24.9	23.8	24.5
BNS	22.5	22.3	21.1	25.2	25.5	26.2	25.2	27.4	26.7	(72)	119	25.0	24.8	21.7	22.1	25.5	26.9	26.7
CM	25.8	26.8	27.0	27.2	26.8	27.3	28.3	27.2	26.8	(43)	(3)	26.3	26.2	27.9	25.8	27.3	26.9	26.8
RY	22.5	21.5	21.4	23.9	23.3	11.4	8.0	9.7	3.4	(635)	(1,995)	18.1	7.8	15.6	20.8	18.6	11.8	18.0
TD	25.6	26.0	26.2	26.1	25.7	24.7	20.3	22.2	23.7	146	(202)	24.1	23.4	26.6	25.6	24.6	22.9	22.3
Average	24.4	24.6	24.1	25.6	25.4	23.1	20.7	21.5	21.2	(37)	(421)	23.5	20.9	23.2	24.0	24.2	22.5	23.7

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 65: Capital markets revenue increased 6.1% YoY on average in 2Q23

Capital markets revenue growth (YoY)

	YoY Capital Markets Revenue Growth (%)									2Q23 chg (bp)		YoY Capital Markets Revenue Growth (%)						
	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	2018	2019	2020	2021	2022	2023e	2024e
BMO	46.3	3.7	3.8	23.2	1.7	(20.2)	(1.7)	(11.4)	1.4	1,280	(28)	(4.1)	8.5	11.9	15.0	0.8	1.1	0.6
BNS	(13.9)	(18.9)	(2.7)	5.1	0.4	(8.1)	15.0	7.1	7.1	8	673	(2.1)	(1.1)	22.4	(8.4)	3.0	6.2	(0.7)
CM	23.5	(0.5)	8.4	11.1	10.2	5.2	16.8	13.6	3.5	(1,008)	(672)	4.0	18.4	16.6	11.5	10.6	8.0	(3.0)
RY	23.1	(6.1)	1.2	4.5	(12.1)	(27.7)	2.3	4.3	5.2	84	1,727	2.6	(1.3)	19.3	3.1	(10.5)	17.9	(1.0)
TD	(8.2)	(22.5)	(8.3)	2.7	8.0	(0.6)	0.8	(0.1)	13.4	1,343	532	5.8	(8.1)	53.5	(5.2)	2.8	4.8	(7.0)
Average	14.2	(8.9)	0.5	9.3	1.6	(10.3)	6.6	2.7	6.1	342	446	1.2	3.3	24.7	3.2	1.3	7.6	(2.2)

Source: BofA Global Research estimates, company reports

BofA GLOBAL RESEARCH

Exhibit 66: Global Comp Sheet (as of June 1st, 2023)

Global Comp Sheet (US, Europe Canada, Australia, Nordic, Japan)

Company Name	Ticker	Current Price	P/E (x) 2019	2020	2021	2022	2023E	2024E	P/BV (x) Current	2022	2023E	P/TBV (x) Current	2022	2023E	Price Change (%) 1-Day	1-Wk	MTD	QTD	YTD	Dividend Yield (%)	Market Cap	Assets (bn)
Bank of America Corporation	BAC	27.78	9.7	15.5	8.1	8.9	8.1	8.2	1.22	0.91	0.84	1.27	1.14	1.06	0.8	(2.8)	(0.0)	(2.9)	(16.1)	3.17	221,383	3,051
Citigroup Inc.	C	44.84	5.9	9.2	1.0	6.6	7.6	7.8	0.53	0.48	0.45	0.55	0.51	0.48	1.2	(2.3)	1.2	(4.4)	(0.9)	4.55	87,292	2,417
JPMorgan Chase & Co.	JPM	137.58	13.3	15.4	9.0	10.9	10.3	9.8	1.79	1.52	1.39	1.88	1.71	1.55	1.4	0.7	1.4	5.6	2.6	2.91	402,048	3,666
Wells Fargo & Co.	WFC	40.06	9.8	122.1	8.4	8.9	10.0	9.7	1.12	0.96	0.89	1.15	1.07	1.00	0.6	(2.8)	0.6	7.2	(3.0)	3.00	150,314	1,881
U.S. Universal Bank average			**9.7**	**40.6**	**6.6**	**8.8**	**9.0**	**8.9**	**1.17**	**0.97**	**0.89**	**1.21**	**1.11**	**1.02**	**1.0**	**(1.8)**	**0.8**	**1.4**	**(4.3)**	**3.41**	**215,259**	**2,754**
The Goldman Sachs Group	GS	316.40	15.1	12.8	5.3	10.5	9.8	9.0	1.11	1.04	0.98	1.13	1.14	1.13	(2.3)	(2.2)	(2.3)	(3.3)	(7.9)	3.16	109,806	1,442
Morgan Stanley	MS	82.07	15.8	12.5	10.0	12.9	12.6	12.2	2.02	1.50	1.43	2.05	1.89	1.80	0.4	(0.7)	0.4	(6.5)	(3.5)	3.78	137,066	1,180
U.S. Broker-Dealer average			**15.4**	**12.7**	**7.7**	**11.7**	**11.2**	**10.6**	**1.56**	**1.27**	**1.21**	**1.59**	**1.52**	**1.47**	**(1.0)**	**(1.5)**	**(1.0)**	**(4.9)**	**(5.7)**	**3.47**	**123,436**	**1,311**
Barclays PLC	BARC	152.62	6.5	15.7	4.1	3.9	5.1	4.5	0.43	0.44	0.40	0.51	0.51	0.47	0.8	(6.6)	0.8	4.7	(3.7)	4.75	23,737	1,514
Deutsche Bk Aktiengesellschaft	DBK	9.58	N/A	21.1	9.0	5.8	5.3	5.0	0.31	0.28	0.27	0.35	0.31	0.30	1.0	(1.2)	1.0	2.2	(9.5)	3.13	19,552	1,337
UBS Group AG	UBSG	17.66	13.4	10.8	8.4	7.8	34.0	10.3	1.05	1.07	0.67	1.18	1.43	0.82	2.4	(2.5)	2.4	(7.2)	4.0	2.79	61,123	1,104
HSBC Holdings plc	HSBA	593.80	27.0	42.6	13.0	9.6	5.8	5.7	0.86	0.79	0.77	0.92	0.86	0.82	0.6	(3.9)	0.6	8.0	15.1	9.18	118,227	2,949
European Bank average			**11.9**	**18.2**	**6.6**	**6.8**	**12.5**	**4.8**	**0.54**	**0.65**	**0.53**	**0.60**	**0.78**	**0.60**	**1.6**	**(3.5)**	**1.6**	**0.4**	**(13.2)**	**3.97**	**45,149**	**1,487**
Bank of Montreal	BMO	113.65	12.1	14.7	8.8	8.6	9.3	8.4	1.19	1.19	1.15	1.34	1.64	1.52	0.4	(0.1)	0.4	(5.9)	(7.3)	5.18	81,055	1,139
The Bank Nova Scotia	BNS	65.57	9.2	12.3	8.3	7.7	9.3	8.7	1.20	1.20	1.11	1.60	1.45	1.35	0.0	(0.1)	0.0	(3.7)	(1.2)	6.47	78,564	1,349
Royal Bank of Canada	RY	121.20	13.6	15.2	10.8	10.9	10.9	10.2	1.66	1.66	1.56	2.03	1.88	1.91	(0.2)	(2.1)	(0.2)	(6.9)	(4.8)	4.45	168,553	1,917
The Toronto-Dominion Bank	TD	77.28	11.6	14.5	9.8	9.2	9.3	9.0	1.41	1.41	1.33	1.76	1.67	1.60	0.6	(4.8)	0.6	(4.5)	(11.9)	4.97	142,163	1,918
Canadian Imperial Bk Commerce	CM	55.46	9.3	11.5	7.7	7.9	7.8	7.9	1.11	1.11	1.06	1.33	1.27	1.18	(0.9)	(0.5)	(0.9)	(2.9)	1.3	6.27	50,897	944
National Bank of Canada	NA	95.28	15.2	16.2	10.6	9.7	9.8	9.6	1.72	1.72	1.60	1.94	1.81	1.63	(2.1)	(3.9)	(2.1)	(1.4)	4.4	4.28	32,174	404
Laurentian Bank	LB	31.94	7.3	11.6	7.2	6.2	6.7	6.4	0.55	0.55	0.53	0.60	0.59	0.54	4.5	4.9	4.5	0.4	(1.1)	5.89	1,386	51
Canadian Western Bank	CWB	24.76	7.8	8.5	6.8	6.8	7.2	6.9	0.72	0.72	0.68	0.72	0.76	0.71	0.1	1.5	0.1	0.0	2.9	5.33	2,385	41
Canadian Bank average (Big 5)			**11.1**	**13.6**	**9.1**	**8.9**	**9.3**	**8.8**	**1.31**	**1.31**	**1.24**	**1.61**	**1.58**	**1.51**	**(0.0)**	**(1.5)**	**(0.0)**	**(4.8)**	**(4.8)**	**5.47**	**104,246**	**1,453**
Canadian Bank average (Total)			**10.7**	**13.1**	**8.7**	**8.4**	**8.8**	**8.4**	**1.19**	**1.19**	**1.13**	**1.41**	**1.38**	**1.30**	**0.3**	**(0.6)**	**0.3**	**(3.1)**	**(2.2)**	**5.35**	**69,647**	**970**
Australia and New Zealand Banking Grp Ltd	ANZ	22.73	10.0	17.1	10.5	10.0	8.9	9.6	1.00	1.04	0.96	1.05	1.10	1.02	(0.8)	(5.1)	(0.8)	(0.9)	(3.9)	6.82	68,267	1,086
Bank of Queensland	BOQ	5.47	6.9	10.6	7.4	6.9	7.4	8.8	0.56	0.53	0.56	0.69	0.66	0.68	0.0	(3.7)	0.0	(15.7)	(20.7)	8.04	3,569	100
Bendigo and Adelaide Bank	BEN	8.57	10.2	15.4	10.6	9.5	8.3	9.1	0.71	0.73	0.70	0.98	0.99	0.95	(0.2)	(1.8)	(0.2)	(1.2)	(12.6)	6.48	4,870	95
Commonwealth Bank of Australia	CBA	96.80	20.0	23.5	19.8	17.4	16.2	16.7	2.17	2.24	2.24	2.50	2.48	2.49	0.0	(3.1)	0.0	(1.5)	(5.7)	4.34	163,158	1,215
National Australia Bank	NAB	26.04	14.3	21.5	13.1	11.8	10.6	11.3	1.36	1.38	1.32	1.44	1.50	1.43	0.3	(2.1)	0.3	(6.1)	(13.4)	6.18	81,733	1,055
Westpac Banking	WBC	20.60	10.4	28.4	13.8	12.9	9.7	10.7	1.03	1.03	0.98	1.16	1.20	1.14	(0.4)	(3.0)	(0.4)	(4.9)	(11.8)	6.50	72,287	1,014
Australian Bank average			**12.0**	**19.4**	**12.5**	**11.4**	**10.2**	**11.0**	**1.14**	**1.16**	**1.13**	**1.30**	**1.32**	**1.28**	**(0.2)**	**(3.2)**	**(0.2)**	**(5.0)**	**(11.3)**	**6.39**	**65,647**	**761**
Danske Bank	DANSKE	144.00	8.0	27.9	9.8	11.4	6.3	6.5	0.76	0.76	0.69	0.78	0.73	0.70	1.6	(1.0)	1.6	4.3	4.9	0.00	124,155	3,791
Skandinaviska Enskilda Banken	SEBA	115.95	12.4	16.0	9.9	8.8	7.2	7.5	1.18	1.18	1.10	1.19	1.17	1.10	2.2	1.3	2.2	1.4	(3.3)	5.82	248,340	3,533
Handelsbanken	SHBA	87.96	10.3	11.3	8.8	8.1	6.9	7.2	0.86	0.86	0.87	0.99	0.91	0.88	2.6	0.3	2.6	(2.1)	(14.0)	6.25	174,856	3,454
Swedbank	SWEDA	170.05	9.7	14.8	9.1	8.5	6.2	6.8	1.06	1.06	1.02	1.25	1.13	1.05	2.4	0.5	2.4	(0.1)	(4.1)	5.72	192,498	2,855
Nordea Bank	NDA	108.46	17.9	19.6	11.3	95.3	76.2	74.0	1.11	1.11	1.11	1.66	1.47	1.41	1.7	(0.6)	1.7	(2.0)	(2.9)	8.26	390,266	595
Nordic Bank average			**11.7**	**17.9**	**9.8**	**26.4**	**20.5**	**20.4**	**0.99**	**0.99**	**0.96**	**1.17**	**1.08**	**1.03**	**2.1**	**0.1**	**2.1**	**0.3**	**(3.9)**	**5.21**	**226,023**	**2,845**
Mitsubishi UFJ Financial	8306	963.90	14.4	23.5	15.9	10.9	11.0	9.2	0.70	0.70	0.68	0.73	0.72	0.70	3.4	3.6	3.4	13.7	8.4	4.25	12,229,685	386,799
Mizuho Financial Group	8411	2,073.00	54.5	11.7	11.2	9.9	9.5	8.7	0.56	0.56	0.58	0.61	0.61	0.57	1.0	0.1	1.0	10.4	11.7	4.58	5,263,865	254,258
Sumitomo Mitsui Financial	8316	5,712.00	11.0	11.2	15.3	11.1	10.0	9.6	0.64	0.64	0.63	0.65	0.65	0.62	0.6	1.2	0.6	7.8	7.9	4.38	7,852,236	270,429
Japanese Bank average			**26.6**	**15.5**	**14.1**	**10.6**	**10.2**	**9.2**	**0.63**	**0.63**	**0.63**	**0.67**	**0.66**	**0.63**	**1.6**	**1.7**	**1.6**	**10.6**	**9.3**	**4.40**	**8,448,595**	**303,829**

Source: BofA Global Research estimates, Bloomberg estimates for companies not covered (NC), SNL Financial, Pricing metrics reflected in local currency

BofA GLOBAL RESEARCH

Past performance should not and cannot be view ed as an indicator of future performance. The BofA performance data in this chart relates to BofA covered companies that have been aggregated into a BofA sector by us for purposes of this report. This performance data is not intended to be representative of the larger market sectors or sub-sectors, w hich may include companies not covered by BofA Global Research. The performance data for the sector presented does not represent and is not intended to represent the performance of any BofA analyst's ratings over the relevant periods.

Exhibit 67: Bank of Montreal: Management commentary
Management's commentary during the 2Q23 earnings call

Bank of Montreal	Notes
Revenue	I remain confident that by the end of 2025, Bank of the West acquisition will add over US$2 billion in run rate pre-provision pre-tax earnings as I discussed with you last quarter. Per my comments earlier on the impact of pre and post-closing activities, corporate can experience some variability following an acquisition of this size, which resulted in higher net losses over the last two quarters compared with our normal range. We expect corporate to normalize in the second half of the year.
Net interest margin	With the transitory impacts of pre and post-closed balance sheet movements behind us, which generated more quarterly volatility in our margin, especially in corporate during the first two quarters of this year. We expect our margin to remain relatively stable during the second half of the year.
Provisions/Credit quality	As we look ahead, we are cautious about the economic environment together with the Bank of the West portfolio, we expect impaired loss rates to trend towards low to mid-20 basis points. Given the quality of our portfolio, high allowance coverage and strong risk management capabilities, we are well positioned to manage current and emerging risks.
Expenses	Once we -- well, those are true and they're going to be very shortly, we're going to be through them, our expense growth will decline towards low single digits and on a BMO standalone basis. On top of it, you also now have the cost synergies that especially towards the end of this year and to the first quarter of next year that are going to show up, which by itself is going to create positive operating leverage.
Efficiency	What we are now saying is as we look at our expense base and in a relatively weaker revenue environment, we also tend to make other expense decisions at BMO standalone, in order to get back to our targeted efficiency ratio, which always was around 55%.
Operating leverage	After delivering five consecutive years of positive operating leverage, these factors along with the higher efficiency of Bank of the West pre-synergies are now expected to result in negative operating leverage this year. We're focused on resetting our expense outlook in line with the revenue headwinds to regain positive operating leverage and continue the improvement in our efficiency ratio. We expect that expense growth will continue to moderate and operating leverage and efficiency will improve in the second half of the year as most of the follow-through impact of last year expense increases are behind us. These actions, in addition to our confidence in meeting the targeted cost synergies at Bank of the West, are expected to result in meaningful positive operating leverage in 2024.
Loans	And so you're seeing business activity slow down. So within that loan portfolio growth, there's a lot of recycling happening. We are growing the book. I think growth will be slow coming off the back of all of the things you're hearing and seeing probably in the mid-single digits. Yes, sure. I would say that if you look at the countries North and South, the U.S. is definitely slower than what we see in Canada. But we're still doing deals and we're still doing loans.
Deposits	There's also an element of migration to term deposits, which looks a bit more stronger in Canada, but in Canada it's actually coming slowly to an end, probably over the next couple of quarters we'll run through the migration impact on Canadian margins. In the U.S., my expectation is that until the market achieves that balanced picture that we will probably continue to see more faster repricing of both commercial and retail deposits. I suspect by the end of this year with also the Fed hopefully coming to the end of their rate increase cycle that pressure will come off.
Capital	We remain confident that our CET1 ratio will remain above 12% for the remainder of the fiscal year. On Basel III: But the more important quarter of all for the next three years is probably going to be next year's first quarter, which is going to have a negative impact on capital. And we will shortly share with you our assessment of what that may be once we conclude the work that's currently underway.

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 68: Bank of Nova Scotia: Management commentary
Management's commentary during the 2Q23 earnings call

Bank of Nova Scotia	Notes
Provisions/Credit quality	However, in light of a more uncertain macroeconomic outlook and given the significant growth in our loan book over the last year, we're taking a more conservative view and increasing our performing loan allowances and thereby building our overall ACL coverage. From a PCL perspective, I think Phil indicated talking about likely elevated PCL ratio on the 37 basis points what you saw this quarter compared to our earlier outlook where we thought it would be mid-30s and that relates mostly to how we want to build our performing loans, allowances across the various books that we have.
Expenses	On the expense line, we expect quarter-over-quarter growth to be modest
Operating leverage	And so I think this management team recognizes over the medium-term we need to get to the positive operating leverage and that will continue to be a hallmark of the Bank and what we try to do going forward.
Loans	[W]ith the exception of Canadian mortgages, we expect to see modest quarter-over-quarter loan growth across the Bank for the balance of the year.
Mortgages	Second, with the exception of Canadian mortgages, we expect to see modest quarter-over-quarter loan growth across the Bank for the balance of the year.
Deposits	Average deposits grew a strong 11% year-over-year, driven by a 15% increase in personal deposits and a 5% increase in non-personal deposits, reflecting the strategic focus of the business.
Chile	Specifically, in Chile and Colombia, we are working with our customers as unsecured delinquencies continue their upward trend as budgets -- as customer budgets are strained due to sustained inflation.
Colombia	I also had the opportunity to meet with our partners in Colombia who I know well from my time there, and they have the full support of the plan and the management team and we've made recent changes to that management team in Colombia.
Capital	The second thing which will happen in November '23 is a fundamental review of the trading book implementation which will impact our market risk and counterparty credit risk capital, the trading businesses. I don't have an estimate for you, but I know directionally that it will take down the capital ratio on November 1st depending on what it would be, we'd probably talk about it more closely in the Q4 call. So that's where I think this will go, and what I will tell you is, considering all this including the internal capital generation which you've seen this quarter which I think will continue to contribute positively, the capital ratio will grow for the remainder of this year from 12.3% and we believe even in 2024 we will remain above 12% which is what Scott had talked about as our intention at this point in time.
Dividends	It doesn't feel good to have the DRIP on in raising equity at these levels, so that's not something that we would continue to do over time once we get some certainty...
Buybacks	From a share buyback perspective, that's not in the cards. So hopefully that answers your questions.

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 69: Canadian Imperial Bank of Commerce: Management commentary

Management's commentary during the 2Q23 earnings call

CIBC	Notes
Revenue	On the corporate segment: We maintain our medium-term guidance of CAD75 million to CAD125 million quarterly loss in this segment, including the cost of maintaining elevated liquidity reserves. So I think that from a revenue standpoint, you're going to see a world of normalization when it comes to NIMs. You're going to see a world of normalization when it comes to volumes
Net interest margin	[W]e continue to expect modest upward momentum in NIM excluding trading, which will support ongoing NII growth. We guided to stable NIMs across the overall bank in the first half of the year with some upward momentum in the back half. And we still expect that, and that is because of our balance sheet. We know the factors that impact the balance sheet. We know how we're hedging it. We're controlling the things that we can control. So both US and Canada will benefit from rising rates coming into deposits.
Provisions/Credit quality	Our credit portfolio quality and coverage continued to remain robust. As communicated in the prior quarters, we are seeing impaired provisions for credit losses gradually increase. We remain comfortable with our guidance on overall losses in the 25 to 30 basis point range.
Expenses	As we have demonstrated, this will result in relatively stable quarterly expenses in the short term, fiscal 2023 expense growth of mid-single digits and positive operating leverage over the medium term. And we've always said, and we've always guided that once that economic environment starts to shift, we're going to shift our investment posture and we're going to take our expense growth down to a more normalized level.
Operating leverage	As we have demonstrated, this will result in relatively stable quarterly expenses in the short term, fiscal 2023 expense growth of mid-single digits and positive operating leverage over the medium term.
Deposits	Going forward, we're expecting deposits to be more stable and that mix shifts to be less of a factor. And so we will see upward momentum [on margin] [is] our expectation on deposits. We identified the trend and did the right thing for our clients and our direct financial services platform simply is well positioned to get those clients especially students and newcomers, where we've seen a robust growth in our market share and our market position to further grow deposits.
Capital	We are confident that our CET1 ratio will continue trending higher, ending 2023 above 12% as we've previously guided. Despite the disruption in funding markets during the quarter, our liquidity position remained well above minimum regulatory requirements throughout the quarter. Our average LCR was 124% and we ended the quarter significantly higher than that. We expect to maintain modestly higher liquidity in the short term given the uncertain environment. And so as I said in my remarks, we ended the quarter significantly higher than that, mid-130s again is where I would say we are at this point in time. And as I said in my remarks, in this environment, we're probably going to keep it that way, 5 to 10 basis points higher than our normal operating level because of the risk in the environment. We will -- we have our DRIP in place, which generates about 10 basis points and we can always strategically reposition our balance sheet to free up more capital.
Dividends	Going forward, we will adopt an annual review of our dividend payment instead of the semi-annual pattern of the past. We will review our dividend in our fourth quarter earnings call, and annually thereafter. We intend to continue increasing dividends in line with earnings growth while maintaining a dividend payout ratio of between 40% and 50% over the long term.
M&A	Having said that, you keep your antenna up and see how the baseball game evolves here. And like I said, I think we're in the early innings, so the most important thing is harvest our investments, continued to demonstrate operational resilience in periods of volatility and deliver for our shareholders on a consistent basis quarter after quarter.

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 70: Royal Bank of Canada: Management commentary
Management's commentary during the 2Q23 earnings call

Royal Bank of Canada	Notes
Revenue	Going forward, we now expect low double-digit net interest income growth for 2023.
Net interest margin	With respect to spreads, we assume continued intense competition for deposits and mortgages and flat interest rates.
Provisions/Credit quality	As we move further into the credit cycle, we expect to see losses driven by more systemic factors arising from the anticipated economic slowdown. We expect PCL on impaired loans to continue to increase through the remainder of this year. Last fall, I guided toward a range of 20 basis points for PCL on impaired loans. We are expecting to come in at the higher end of that range for the year.
Expenses	We are committed to actively reducing expenses. We are using a number of different levers to do so. This includes deliberate actions that we have already initiated, such as managing headcount growth through attrition and slower hiring while also preparing for a complex transition with respect to the planned acquisition of HSBC Canada. All Bank expense growth, excluding acquisition related costs and share based compensation to decelerate to the mid-single-digits ... we're commenting that the mid-single-digits NIE growth will be for the second half but staggered more towards Q4. **On Citi National:** We are increasingly focused on controlling expenses through various levers, including actions to manage headcount while also curtailing discretionary spend.
Efficiency	In Canadian banking, we remain committed to leveraging our scale in achieving a sub 40% efficiency ratio.
Operating leverage	And we are committed to driving towards our objective of positive operating leverage. When you look at the second half of the year, given revenue environment was quite weak for capital markets in H2 last year, we do expect very strong positive operating leverage in the second half.
Loans	We expect revolver balance levels to surpass pre-pandemic levels by early 2024, which would have positive implications for net interest margins. We expect business growth -- business lending growth will continue over the next few quarters. **On Citi National:** Going forward, we expect loan growth to slow as the focus increasingly shifts to improving business profitability while we continue to invest in enhancing Citi National's technology and governance infrastructure.
Mortgages	Origination activity is expected to continue moderating towards 2019 levels as limited supply and increased demand from immigration is muted by concerns around affordability. We expect annual mortgage growth to slow to the mid-single-digits.
Deposits	Furthermore, we expect to retain most of these balances and look to support our clients in reallocating their assets into our leading investment franchises at the right moment. Embedded in our guidance are modeled expectations for client behavior including solid volume growth, a slowing in the continued deposit mix shift towards GICs ... we've put out [a goal] to grow that core checking account franchise. The movement of clients into higher cost deposits is a global trend, one that obviously you've seen in both sides of the border with ourselves but we're retaining the vast majority of those deposits. And I would say in the last while, if we look on a combined demand and term basis, the market share is also up. So, I think we do have a lot of confidence just about the momentum we see in consumer deposits
Capital	Looking ahead, we continue to expect that our CET1 ratio will remain above 12% following the close of the planned HSBC Canada transaction, pending regulatory approval.
M&A	We expect the HSBC Canada transaction to close in the first calendar quarter of 2024

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 71: The Toronto-Dominion Bank: Management commentary
Management's commentary during the 2Q23 earnings call

Toronto-Dominion Bank	Notes
Net interest margin	While we are pleased with the substantial year-to-date margin expansion, we expect downward pressure again on margins in Q3 reflecting intensifying pricing competition in the U.S. market. However, we do expect margins to resume growth albeit moderately starting in Q4 with new tractor on rate.
Provisions/Credit quality	Looking forward, after two quarters of continued strong credit performance I now expect total PCLs in 2023 to come in near the lower end of my prior guidance of 35 to 45 basis points. However, results may vary by quarter.
Expenses	On Capital Markets: And then on the expenses side, we've been talking about the significant investments we've made in growing our US platform and now including the acquisition of Cowen. So all-in-all, I think the -- I'm really quite excited and optimistic to prepare TD Securities in Wholesale Bank for its next phase of growth, but I do expect revenue and expense numbers over the next couple of quarters to remain a bit bumpy as we adjust and optimize business mix and deepened the integration. So I think it will be -- it will hit our -- more of a run rate strike by fiscal '24.
EPS	With the mutual termination of the First Horizon agreement and deterioration in the macroeconomic environment, we do not expect the Bank to deliver adjusted EPS growth in the 7% to 10% medium-term target range in 2023.
Loans	On US Retail: But we saw good solid growth in the mid-market and the C&I community, and the pipeline remains strong. I would just caution, a little bit, I think the outlook, the debt ceiling discussions, I could see a little bit of moderation in that commercial -- I'm sorry in the commercial banking space, at least in the near term. But I am still quite confident that once again given our capital, our liquidity position we'll be able to support clients through the cycle.
Deposits	In the current rate environment, we continue to see migration of balances into term deposit and other high yielding investments. On Wealth: And so net-net, you're seeing still us retaining our deposits. What I would say is that migration has definitely slowed significantly. And so we do think hopefully that we've reached the bottom of that piece of it and those deposits that are sitting in GICs are sitting in short-term and so we do see as the markets do turn the opportunity for those funds to come back into the equities. On Canadian Business Banking: We were very price disciplined on term deposits and they really for the majority of our clients aren't franchise type deposits, they are very transactional and so we don't write business to any great extent that is not economically attractive for us. And so that's what we've seen. Is it slowing? I'd say we saw some slowdown in April. One month doesn't make a trend. So we'll have to wait and see. On US Retail: So we're still seeing that at the margin now medium term rates have come off a little bit and so some of that may not be quite as attractive as it might have been. But I still think there's going to be some yield seek that's likely to take place in the market.
Capital	I guess around 12% would be a good target based on conditions as we know today, but we continue to see good growth in our businesses.
Dividends	Beginning with the dividend declared today, we have decided to remove the discount to the shares issued under our dividend reinvestment plan.
Buybacks	And to offset the discounted shares issued under the DRIP, today, we announced our intention to repurchase up to 30 million common shares for cancellation subject to regulatory approval. Depending on market conditions, we expect to complete this share buyback by the end of the summer, at which point we will assess the opportunity for further buybacks.
M&A	I think to speculate on M&A is always -- it's always a dangerous game because nobody can say perfectly, but we've done deals previously on capability bills, I think in rates business we acquired Greystone a few years ago. In Riaz's business, we just acquired Cowen -- in Riaz's business acquired headlines as well, not too long ago. And so that goes -- it's an ongoing exercise for us either it's capability bills or where there is an extension to our businesses and then that -- we will continue to look at those as they present themselves.

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 72: Companies mentioned
Companies mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BMO	BMO US	Bank of Montreal	US$ 86.89	B-2-7
YBMO	BMO CN	Bank of Montreal	C$ 116.65	A-2-7
BNS	BNS US	Bank of Nova Scotia	US$ 49.7	B-2-7
YBNS	BNS CN	Bank of Nova Scotia	C$ 66.71	A-2-7
CM	CM US	Canadian Imp Bank	US$ 42.73	B-3-7
YCM	CM CN	Canadian Imp Bank	C$ 57.36	B-3-7
RY	RY US	Royal Bank	US$ 92.43	A-2-7
YRY	RY CN	Royal Bank	C$ 124.06	A-2-7
TD	TD US	TD Bank	US$ 58.77	B-1-7
YTD	TD CN	TD Bank	C$ 78.82	A-1-7

Source: BofA Global Research

Price objective basis & risk

Bank of Montreal (YBMO / BMO)

Our $125 PO (US$92) incorporates recession risk. We apply a trough P/BV multiple of 1.0x to our YE23 BV (50% weighting). The remaining 50% is based on 2023 P/E and P/BV multiples (equally-weighted). We assigned 11.5x/1.7x multiples, respectively, slightly above peer multiples as the company's superior growth outlook is offset by lower profitability.

Upside risks to our PO: 1) continued resilience of the Canadian consumer and thereby its housing market could alleviate the risk from a housing slowdown, 2) better than expected economic growth in the US, specifically within BMO's business footprint, 3) lower for longer global rate backdrop could cause investors to increase exposure to higher dividend yielding stocks, potentially pushing valuations higher, and 4) a continuing rebound in oil could reduce the risks associated with BMO's exposure to the energy sector.

Downside risks: 1) a sharp downturn in the Canadian housing market and rise in unemployment rate that could lead to higher credit losses, 2) a prolonged slowdown in US econ. could lead to anemic loan growth and accelerating credit losses.

Bank of Nova Scotia (YBNS / BNS)

Our $70 PO (US$52) incorporates recession risk. We apply a trough P/BV multiple of 1.1x to our YE23e BV (50% weighting). The remaining 50% is based on 2023e P/E and P/BV multiples (equally-weighted). We assigned 10.5x/1.4x multiples, respectively, in line with peer multiples given in-line profitability.

Upside risks: 1) continued resilience of the Canadian consumer and thereby its housing market could alleviate the risk from a housing slowdown, 2) better than expected economic growth in the LatAm markets, which could accelerate loan growth and keep credit losses at a moderate level, and 3) a rebound in oil could reduce risks associated with BNS' exposure to the energy sector.

Downside risks: 1) a sharp downturn in the Canadian housing market and rise in unemployment rate could lead to higher credit losses, 2) a slowdown in Latin American economies could lead to anemic loan growth and accelerating credit losses, 3) another plunge in oil prices could hurt credit quality/loan growth tied to energy dependent markets.

Canadian Imperial Bank of Commerce (YCM / CM)

Our $65 PO (US$48) incorporates recession risk. We apply a trough P/BV multiple of 1.2x to our YE23 BV (50% weighting). The remaining 50% is based on 2023 P/E and P/BV multiples (equally-weighted). We assign 11.0x/1.5x multiples, respectively, slightly below peer multiples (median 11.5x/1.7x) given the company's above average mortgage exposure and related risks from a slowdown in the mortgage market.

Upside risks: 1) Continued resilience of the Canadian consumer and a faster-than-expected rebound in residential mortgage growth, 2) better-than-expected growth in the capital markets business due to increased markets activity and/or continuing market share gains, 3) a rebound in oil, which could reduce the risks associated with CM's exposure to the energy sector.

Downside risks: 1) a sharp downturn in the Canadian housing market and rise in unemployment rate that could lead to higher credit losses. 2) Another plunge in oil prices that could hurt credit quality and loan growth tied to energy dependent markets.

Royal Bank of Canada (YRY / RY)

Our $130 PO (US$96) incorporates recession risk. We apply a trough P/BV multiple of 1.4x to our YE23 BV (50% weighting). The remaining 50% is based on 2023 P/E and P/BV multiples (equally-weighted). We assigned 12.0x/2.6x multiples, respectively, above peer multiples given higher profitability.

Downside risks to our price objective are: (1) a deeper and more protracted Canadian and/or U.S. recession relative to current expectation, (2) a deterioration in capital market conditions similar to the prevailing environment at the height of the credit crisis, (3) a dramatic swing in interest rates to the downside and the related impact on bank funding costs and asset quality, (4) any imposed political or regulatory measures that result in increased taxation or capital requirements that materially affect profitability.

Upside risk to our PO is: upward swing in interest rates in both the US and Canada and the related impact on bank funding costs/asset quality.

Toronto-Dominion Bank (YTD / TD)

Our $90 PO (US$66) incorporates recession risk. We apply a trough P/BV multiple of 1.2x to our year-end 2023 book value (BK, 50% weighting). The remaining 50% is based on 2023 P/E and P/BV multiples (equally weighted). We assigned 12.0x/2.4x multiples, respectively, above peer multiples given idiosyncratic growth opportunities.

Downside risks to our PO are (1) a deeper and more protracted Canadian and/or US recession than expected, (2) a deterioration in capital market conditions similar to the prevailing environment at the height of the credit crisis, (3) acquisition, integration, and legal risk associated with M&A activity, (4) regulatory risk.

Upside risks to our PO are a dramatic upward swing in long-term interest rates and better-than-expected credit metrics.

Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Ebrahim H. Poonawala
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Zions Bancorp	ZION	ZION US	Ebrahim H. Poonawala

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Banks Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	88	50.87%	Buy	72	81.82%
Hold	40	23.12%	Hold	29	72.50%
Sell	45	26.01%	Sell	34	75.56%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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