

## US Mid-cap Banks

## 4Q23 Earnings recap: Week 1

## Earnings Review

**Exhibit 2: Summary of underlying '24 NII growth assumptions**

Asterisk denotes BoFA est. if formal guidance not provided

	Rate Cuts	Loan Growth	Deposit Growth	NII Growth	Assumed Deposit Beta	2021-23 Deposit Beta
CBSH	5	MSD	LSD	-1%*	14%*	36%
CMA	6	5%	Stable	-11%	60%	58%
FNB	3	MSD	LSD	0%	35%	33%
PNFP	3	LDD	HS/LDD	HS/LDD	~100%	70%
TCBI	5	HSD*	LDD*	Stable*	60%	80%

Source: BoFA Global Research, company filings. PNFP not covered. FNB, TCBI expect to realize a little more than half TTC beta in 2024. 2021-23 deposit beta calculated by BoFA

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**Earnings “One-liners”**

**CBSH:** Shares outperformed KRX post 4Q23 results. Better NIM expansion in 4Q set 2024 up for higher earnings. We are raising our 2024e EPS by 2.6% to \$3.23. Variable-rate loans represent a headwind in '24 but securities reinvestment opportunity and less pressure on deposit costs may offer some relief. See trust fees driving 4% core fee income growth in '24. That said, expense growth to gradually improve over 2024, back to within the typical 3-4% range by 4Q24. See further multiple expansion is limited given premium valuation. Reiterate Neutral rating, raise PO to \$57.50 on higher EPS est.

**CMA:** Core 4Q23 EPS of \$1.47 beat our cons.-like \$1.36 est. Stronger revenue, lower credit partially offset by higher expenses. Shares underperformed KRX on Fri. after mgmt.'s guidance implied downward revisions to '24e EPS. That said, fewer rate cuts pose further downside risk. Not to mention, much of the \$50mn in incremental regulatory-related costs remains on the horizon. We lowered our '24e EPS by 2.3% to \$5.40. See near-term catalysts for multiple expansion as limited. Reiterate Neutral rating. No change to \$56 PO.

**FNB:** Core 4Q23 EPS of \$0.38, beat our/cons. \$0.36/0.35 est., driven by lower credit costs and higher NII. Shares traded relatively in line with KRX on Fri., likely reflecting the modest revision to 2024e EPS implied by mgmt.'s guidance. However, Fed rate cuts in excess of 75bp in '24 could present upside risk to cons. '2024e EPS. We are raising our 2024e EPS by 6.2%, primarily due to higher revenue growth assumptions and lower credit costs. Raising our PO to \$16 to reflect our revised EPS est. Reit Buy rating.

**TCBI:** Core 4Q23 EPS of \$0.65, beat our \$0.60 est. (fell short of cons. \$0.71). Relative to us, better NII and a lower tax rate were partially offset by lower fees, higher expenses, and higher credit costs. Although returns remain substantially below mgmt.'s '25 targets, income from areas of focus has more than doubled over the last two years. Assuming four 25bp rate cuts, we find it difficult to reconcile to mgmt.'s mid-single digit revenue growth outlook. Lowering our 2024e EPS by 4% to \$3.68, primarily due to lower PPNR growth assumptions. TCBI's premium valuation, coupled with execution risk, keeps us cautious. Reiterate Underperform rating and \$53 PO.

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**Acronyms:**

**HSD:** high-single digits  
**KRX:** KBW Regional Banking Index  
**LDD:** low-double digits  
**LSD:** low-single digits  
**MSD:** mid-single digits  
**NII:** net interest income  
**NIM:** net interest margin  
**PPNR:** pre-provision net revenue  
**TBV:** tangible book value  
**TCE:** tangible common equity

**Tickers referenced:**

**CBSH:** Commerce Bancshares Inc  
**CMA:** Comerica Inc  
**FNB:** FNB Corp/PA  
**PNFP:** Pinnacle Financial  
**TCBI:** Texas Capital Bancshares Inc

**Exhibit 1: Summary of changes**

New vs. old EPS est., price objectives

	2024E EPS		PO	
	New	Old	New	Old
CBSH	\$ 3.23	\$ 3.15	\$ 57.50	\$ 55.00
CMA	5.40	5.52	--	56.00
FNB	1.42	1.34	16.00	15.00
TCBI	3.68	3.82	--	53.00

Source: BoFA Global Research

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## Earnings recaps

### CBSH: Starting '24 on strong footing

Shares of CBSH outperformed KRX by 180bp in the two days following 4Q23 results (reported on 1/18), likely due to better-than-expected NIM expansion, thus setting 2024 up for higher earnings. We are raising our 2024e EPS by 2.6% to \$3.23. Although variable-rate loans (57% of total) represent a headwind in 2024, securities reinvestment opportunity and less pressure on deposit costs may offer some relief. Meanwhile, CBSH is well positioned to repurchase more stock in 2024 (vs. \$76mn in 2023).

We forecast core fee growth of 4% (ex. securities gains/losses) in 2024, primarily driven by trust fees (+8% YoY) given the 13% QoQ increase in AUM (\$68.9bn at 4Q23). We forecast bank card transaction fee growth of 4% YoY. Meanwhile, expense growth is expected to gradually improve over the course of 2024, back to within the bank's typical 3-4% range by 4Q24. We forecast total expense growth of 6% in 2024.

With shares of CBSH trading at a 50%+ premium to mid-cap bank peers, we think further multiple expansion is limited. Reiterate Neutral rating. Raise our PO to \$57.50 from \$55.0 to reflect our revised EPS estimates.

### CMA: In transition mode

CMA reported core 4Q23 EPS of \$1.46, beating our cons.-like \$1.37 estimates. Stronger revenue growth and lower provisions were partially offset by higher expenses. Nonetheless, shares underperformed the KRX on Friday largely due to further downward revisions to 2024e EPS implied by mgmt. guidance. CMA had seen cons. lower '24e by 7% over the last 3 months (vs. -1% for avg. mid-cap bank). Meanwhile, few rate cuts than expected (i.e., less than 150bp worth) could result in additional earnings pressure in '24. We lowered our '24e EPS by 2.3% to \$5.40.

It is well understood earnings are sensitive to changes in interest rates. However, we believe investors are less appreciative of the near-term benefit CMA could receive from its hedges this cycle. For example, the bank's sensitivity to a -100bp change in rates has declined by 550bp since 3Q18. We estimate 100bp worth of rate cuts (our base case) could result in ~\$50mn of incremental NII or +6bp to NIM in 2024.

Meanwhile, expense re-calibration provides partial offset to lower rate backdrop and mgmt. acknowledged to need to continue to look at expense opportunities if revenue growth is slower than anticipated. That said, necessary investments on the regulatory front, albeit several years away, as CMA approaches \$100bn in assets, could further limit earnings growth. With shares trading at 8.3x 2025e EPS, a modest discount to its 5Y pre-pandemic average, we see near-term catalysts for multiple expansion as limited. Reiterate Neutral rating. No change to \$56 PO.

**Exhibit 3: CMA shares down more than peers ahead of Fed cutting rates**

CMA relative stock price vs. Fed funds rate



Source: Bloomberg

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**FNB: See additional NII upside potential**

FNB reported core 4Q23 EPS of \$0.38, beating our/cons. \$0.36/0.35 estimates, driven by lower provision costs and higher spread income. Smaller-than-expected NIM compression in 4Q23 (-5bp QoQ vs. our -11bp est.) provided support for our 2024e EPS estimate. We note, Fed rate cuts in excess of 75bp in 2024 could present upside revision risk to consensus. EPS estimates. Meanwhile, higher-than-expected expense outlook for 2024 primarily reflects the impact of rent expense during the build out of its new headquarters (\$6mn). That said, mgmt. expected to generate positive operating leverage in 2H24.

Shares of FNB traded relatively in line with KRX on Friday, likely reflecting the modest revision to 2024e EPS implied by mgmt.'s guidance. We are raising our 2024e EPS by 6.2%, primarily due to higher revenue growth assumptions and lower credit costs. We are raising our PO to \$16 from \$15 to reflect our revised EPS est.

During the earnings call, mgmt. indicated NCOs are expected to be stable/slightly lower YoY in '24. Although not entirely unexpected (FNB had incurred a \$32mn charge-off in 3Q related to an isolated commercial loan), we do acknowledge this rhetoric is a slight deviation from that of other mid-cap bank mgmt. teams. That said, outlook for provisions does suggest incremental reserve build in 2024.

FNB's capital levels continue to improve; however, remain below that of peers on a reported basis. Reported TCE ratio increased 25bp QoQ to 7.8% in 4Q23 vs. 8.5% mid-cap bank median (of those to report 4Q23). Although mgmt. will remain opportunistic buying back stock (if earn-back is reasonable), recent b/s actions – which should support NIM – have a TBV earn back period of less than one year.

**TCBI: Unable to reconcile to revenue growth outlook**

TCBI reported core 4Q23 EPS of \$0.65, beating our \$0.60 estimate but falling short of consensus \$0.71. Relative to us, better-than-expected NII (+9c) and a lower tax rate (+6c) were partially offset by lower fees (-3c), higher expenses (-3c), and higher credit costs (-5c). Although returns remain substantially below mgmt.'s 2025 targets, it is worth mentioning progress made against its strategic plan. Income from areas of focus has doubled over the last two years. Meanwhile, TCBI has made the necessary investments in products and services. It's now all about execution, in our view.

Mgmt. expects the increase in Mortgage Finance (MF) interest income should be enough to offset the \$40mn impact of lower rates (on static b/s). Growth in fees and loans



should then help drive mid-single digit growth in 2024. That said, we find it difficult to reconcile to mgmt.'s outlook. We forecast MF net interest income growth of \$17mn YoY. This assumes +15% growth in average MF loans and an average portfolio yield of 2.64% (+1bp YoY despite mgmt.'s expectation for yields to be lower YoY). Coupled with an 80% reverse cost of funding beta (consistent with that during rising rate cycle) and +14% fee income growth, we forecast 2% revenue growth in 2024.

We are lowering our 2024e EPS by 4% to \$3.68 (from \$3.82), primarily due to lower PPNR growth assumptions. TCBI trades at a premium to peers. The stock's premium valuation, coupled with execution risk driven by industry-wide revenue/credit headwinds, for which TCBI is not immune, keeps us cautious. Reiterate Underperform rating. Maintain \$53 PO.

#### Exhibit 4: We forecast mortgage finance interest income increases by ~\$20mn YoY in 2024

Mortgage finance forecast

(\$ in millions)	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	2023	2024E	2025E
MF Non-interest Bearing (avg)	4,600	5,300	6,000	5,600	4,337	4,952	5,992	6,406	5,375	6,406	6,099
Non-interest Bearing, excl MF (avg)	4,965	4,118	3,678	3,339	2,991	3,109	2,432	2,102	4,025	2,102	2,707
Non-interest Bearing	10,254	9,749	10,017	9,247	7,328	8,061	8,424	8,508	9,817	8,508	8,806
MF NIB deposits as % of MF LHI	140%	121%	128%	142%	120%	100%	110%	120%	135%	120%	118%
Avg MF loans	3,287	4,376	4,698	3,946	3,512	4,812	5,293	5,187	4,077	4,701	4,936
Assumed yield	7.12%	7.54%	7.80%	7.84%	7.84%	7.76%	7.68%	7.68%	7.57%	7.74%	7.73%
Implied MF deposit cost	2.57%	3.49%	4.04%	4.73%	4.73%	4.61%	4.36%	4.11%	3.75%	3.74%	3.93%
<b>Portfolio yield</b>	<b>3.52%</b>	<b>3.32%</b>	<b>2.64%</b>	<b>1.12%</b>	<b>1.99%</b>	<b>3.02%</b>	<b>2.75%</b>	<b>2.61%</b>	<b>2.63%</b>	<b>2.64%</b>	<b>2.87%</b>
MF net interest income	29	36	31	11	17	36	37	34	107	124	141

Source: BofA Global Research estimates, company filings

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# Variance tables

## Exhibit 5: Commerce Bancshares (CBSH) variance table

New vs. old EPS estimates, assumptions (\$ in millions unless noted)

KEY FORECAST VARIABLES:	3Q23	Actual 4Q23E	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	17,134	17,210	17,274	-0.37%	17,727	17,795	-0.39%	18,560	18,632	-0.38%
Average Loans	16,974	17,063	17,204	-0.82%	17,524	17,591	-0.38%	18,143	18,214	-0.38%
Average Earning Assets	31,975	31,341	31,667	-1.03%	31,409	31,176	0.75%	32,350	32,068	0.88%
Net Interest Margin (%)	3.11	3.17	3.12	5bp	3.19	3.15	3bp	3.30	3.20	10bp
Net Interest Income (FTE)	251.0	250.5	249.2	0.56%	1,000.7	983.3	1.76%	1,066.1	1,024.8	4.03%
Loan Loss Provision	11.6	5.9	14.0	-58.15%	66.4	66.5	-0.19%	74.0	74.2	-0.19%
Noninterest Revenues	141.6	144.9	138.3	4.74%	593.9	583.8	1.73%	618.4	608.2	1.69%
Securities Transactions	4.3	7.6	0.0	NA	0.0	0.0	NA	0.0	0.0	NA
Tot. Revenue	397	403	387	4.01%	1,595	1,567	1.75%	1,685	1,633	3.16%
Total Expenses	228.0	235.3	231.7	1.53%	965.4	956.5	0.93%	1,004.2	995.4	0.88%
Pre-Tax Income (FTE)	157.3	161.9	141.7	14.23%	562.7	544.1	3.43%	606.3	563.4	7.62%
FTE Tax Rate (%)	21.4	22.5	21.7	1pp	22.5	21.7	1pp	22.5	21.7	1pp
Net Income	121.7	123.8	109.1	13.50%	429.6	418.6	2.64%	463.4	433.7	6.84%
Available For Common	119.6	121.6	118.6	3mn	420.7	410.2	10mn	454.4	425.3	29mn
<b>Op. EARNINGS PER SHARE (F.D.)</b>	<b>\$0.96</b>	<b>\$0.94</b>	<b>\$0.92</b>	<b>2%</b>	<b>\$3.23</b>	<b>\$3.15</b>	<b>3%</b>	<b>\$3.53</b>	<b>\$3.30</b>	<b>7%</b>
<b>GAAP EPS (F.D.)</b>	<b>\$0.96</b>	<b>\$0.84</b>	<b>\$0.83</b>	<b>2%</b>	<b>\$3.23</b>	<b>\$3.15</b>	<b>3%</b>	<b>\$3.53</b>	<b>\$3.30</b>	<b>7%</b>
Book Value Per Share	\$19.90	\$22.77	\$21.13	\$1.64	\$26.23	\$25.16	\$1.08	\$29.92	\$29.27	\$0.65
Tangible Book Value Per Share	\$18.67	\$21.54	\$19.90	\$1.64	\$24.99	\$23.92	\$1.07	\$28.67	\$28.03	\$0.65
Dividends Per Share	\$0.27	\$0.27	\$0.27	\$0.00	\$1.13	\$1.13	\$0.00	\$1.19	\$1.19	\$0.00
Average Fully-Diluted Shares	123.8	129.6	129.6	0mn	130.3	130.3	0mn	128.7	128.9	0mn
<b>CAPITAL RATIOS:</b>										
EOP Common Equity/Assets (%)	8.28	9.35	8.85	50bp	10.58	10.50	8bp	11.52	11.68	-16bp
Tang. Common Equity/Assets (%)	7.81	8.89	8.38	51bp	10.13	10.03	10bp	11.09	11.24	-14bp
Tangible Common Equity/RWA (%)	10.14	11.54	10.88	66bp	13.16	13.02	13bp	14.41	14.59	-18bp
Tier 1 Common/RWA (%)	15.11	16.23	15.57	66bp	16.94	16.47	47bp	17.21	16.68	54bp
Tier 1/RWA (%)	15.11	16.23	15.57	66bp	16.94	16.47	47bp	17.21	16.68	54bp
<b>PROFITABILITY RATIOS:</b>										
Return On Assets (%)	1.48	1.54	1.51	3bp	1.35	1.36	-1bp	1.43	1.38	5bp
Return On Common Equity (%)	18.08	17.46	17.60	-14bp	13.26	13.69	-42bp	12.66	12.21	45bp
Return On Tangible Common Equity (%)	19.30	18.58	18.76	-19bp	0.00	0.00	0bp	0.00	0.00	0bp
<b>BALANCE SHEET ITEMS:</b>										
EOP Total Deposits	25,090	25,364	25,018	1.38%	0	0	NA	0	0	NA
AVG Total Deposits	25,566	25,209	25,255	-0.18%	25,697	25,281	1.65%	26,389	25,960	1.65%
EOP Total Assets	31,377	31,701	31,070	2.03%	31,892	30,862	3.34%	33,011	31,923	3.41%
EOP Equity	2,599	2,964	2,751	7.75%	3,375	3,239	4.17%	3,803	3,727	2.04%
EOP Preferred Equity	0	0	0	NA	0	0	NA	0	0	NA
EOP Common Equity	2,599	2,964	2,751	7.75%	3,375	3,239	4.17%	3,803	3,727	2.04%
EOP Tangible Common Equity	2,438	2,804	2,590	8.23%	3,215	3,080	4.38%	3,645	3,569	2.12%
<b>CREDIT QUALITY INDICATORS:</b>										
Net Charge-Offs	10	8	11	-27.10%	58	58	0.00%	66	66	0.00%
% Average Loans	0.23	0.19	0.25	-7bp	0.33	0.33	0bp	0.36	0.36	0bp
Nonperforming Assets	8	7	9	-21.58%	12	14	-18.10%	15	15	0.00%
% EOP Loans + OREO	0.05	0.04	0.05	-1bp	0.07	0.08	-1bp	0.08	0.08	0bp
Loan Loss Reserve	162	162	165	-1.75%	171	174	-1.74%	179	182	-1.74%
% EOP Loans	0.95	0.94	0.96	-1bp	0.96	0.98	-1bp	0.96	0.98	-1bp
% Nonperforming Loans	1976.42	2220.94	1766.14	45480bp	1489.28	1237.66	25163bp	1192.37	1213.43	-2107bp

Source: BofA Global Research estimates, company filings

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**Exhibit 6: Comerica (CMA) variance table**

New vs. old EPS estimates, assumptions (\$ in millions unless noted)

KEY FORECAST VARIABLES:	3Q23	Actual 4Q23	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	53,398	52,113	52,457	-0.66%	52,449	53,363	-1.71%	53,871	54,818	-1.73%
Average Loans	53,987	52,796	52,927	-0.25%	52,796	53,413	-1.16%	53,160	54,091	-1.72%
Average Earning Assets	80,996	76,167	76,487	-0.42%	73,613	78,332	-6.02%	74,459	80,782	-7.83%
Net Interest Margin (%)	2.84	2.91	2.94	-3bp	3.02	2.84	18bp	3.24	2.89	36bp
Net Interest Income (FTE)	601.0	581.0	566.1	2.63%	2,226.5	2,226.5	0.00%	2,415.6	2,333.3	3.53%
Loan Loss Provision	14.0	12.0	31.0	-61.28%	138.8	146.4	-5.17%	107.0	107.0	0.00%
Noninterest Revenues	295.0	291.0	283.9	2.50%	1,173.0	1,194.0	-1.75%	1,205.9	1,228.7	-1.85%
Securities Transactions	0.0	0.0	0.0	NA	0.0	0.0	NA	0.0	0.0	NA
Tot. Revenue	896	872	850	2.59%	3,400	3,420	-0.61%	3,622	3,562	1.67%
Staff Expenses	315.0	359.0	323.7	10.92%	1,426.0	1,327.9	7.39%	1,490.2	1,387.6	7.39%
OREO Expenses	0.0	0.0	0.0	NA	0.0	0.0	NA	0.0	0.0	NA
Total Expenses	555.0	586.0	571.6	2.52%	2,299.4	2,286.1	0.58%	2,381.0	2,365.0	0.67%
Pre-Tax Income (FTE)	327.0	274.0	247.4	10.73%	961.3	987.9	-2.69%	1,133.5	1,090.0	3.99%
FTE Tax Rate (%)	23.2	25.9	23.7	2pp	23.0	23.0	0pp	23.0	23.0	0pp
Operating Income	251.0	203.0	188.9	7.46%	740.2	760.7	-2.69%	872.8	839.3	3.99%
Available For Common	244.0	197.0	181.9	15mn	716.2	732.7	-16mn	846.5	809.3	37mn
<b>Op. EARNINGS PER SHARE (F.D.)</b>	<b>\$1.84</b>	<b>\$1.47</b>	<b>\$1.37</b>	<b>7%</b>	<b>\$5.40</b>	<b>\$5.52</b>	<b>-2%</b>	<b>\$6.38</b>	<b>\$6.10</b>	<b>5%</b>
<b>GAAP EPS (F.D.)</b>	<b>\$1.84</b>	<b>\$0.20</b>	<b>\$0.74</b>	<b>-73%</b>	<b>\$5.40</b>	<b>\$5.52</b>	<b>-2%</b>	<b>\$6.38</b>	<b>\$6.10</b>	<b>5%</b>
Book Value Per Share	\$34.68	\$45.55	\$36.22	\$9.33	\$51.49	\$42.12	\$9.37	\$58.12	\$48.28	\$9.84
Tangible Book Value Per Share	\$29.81	\$40.67	\$31.35	\$9.33	\$46.62	\$37.25	\$9.37	\$53.25	\$43.41	\$9.84
Dividends Per Share	\$0.71	\$0.71	\$0.71	\$0.00	\$2.95	\$3.12	(\$0.17)	\$3.25	\$3.44	(\$0.19)
Average Fully-Diluted Shares	132.7	132.8	132.7	0mn	132.8	132.7	0mn	132.8	132.7	0mn
<b>CAPITAL RATIOS:</b>										
EOP Common Equity/Assets (%)	5.34	7.00	5.85	115bp	8.15	6.50	164bp	8.94	7.15	178bp
Tang. Common Equity/Assets (%)	4.63	6.30	5.10	120bp	7.43	5.80	164bp	8.25	6.48	177bp
Tangible Common Equity/RWA (%)	5.02	7.08	5.26	182bp	8.11	6.02	210bp	9.06	6.77	229bp
Tier 1 Common/RWA (%)	10.80	11.09	10.88	21bp	11.53	10.87	66bp	11.81	10.92	89bp
Tier 1/RWA (%)	11.30	11.61	11.38	23bp	12.05	11.35	70bp	12.32	11.39	93bp
<b>PROFITABILITY RATIOS:</b>										
Return On Assets (%)	1.12	0.96	0.90	6bp	0.89	0.91	-2bp	1.03	0.96	7bp
Return On Common Equity (%)	19.42	15.80	13.87	193bp	13.42	12.80	62bp	14.05	12.33	172bp
Return On Tangible Common Equity (%)	22.30	18.16	15.82	234bp	15.26	14.42	84bp	15.73	13.67	206bp
Operating Expenses/Revenues (%)	61.94	67.20	67.24	-4bp	67.64	66.84	80bp	65.75	66.40	-65bp
<b>BALANCE SHEET ITEMS:</b>										
EOP Total Deposits	67,158	66,762	67,378	-0.91%	67,545	70,485	-4.17%	68,799	71,994	-4.44%
AVG Total Deposits	65,883	66,045	65,870	0.27%	65,375	67,794	-3.57%	68,172	71,239	-4.31%
EOP Total Assets	85,706	85,834	81,707	5.05%	83,420	85,478	-2.41%	85,848	89,105	-3.66%
EOP Equity	4,972	6,406	5,175	23.79%	7,191	5,954	20.78%	8,066	6,767	19.19%
EOP Preferred Equity	394	394	394	0.00%	394	394	0.00%	394	394	0.00%
EOP Common Equity	4,578	6,012	4,781	25.75%	6,797	5,560	22.25%	7,672	6,373	20.38%
EOP Tangible Common Equity	3,935	5,369	4,138	29.75%	6,154	4,917	25.16%	7,029	5,730	22.66%
<b>CREDIT QUALITY INDICATORS:</b>										
Net Charge-Offs	6	20	17	17.65%	133	133	0.00%	150	150	0.00%
% Average Loans	0.04	0.15	0.13	2bp	0.25	0.25	0bp	0.28	0.28	0bp
Nonperforming Assets	154	178	169	5.08%	225	215	5.08%	248	236	5.08%
% EOP Loans + OREO	0.29	0.34	0.32	2bp	0.43	0.40	3bp	0.46	0.43	3bp
Nonperforming Loans	154	178	169	5.08%	225	215	5.08%	248	236	5.08%
% EOP Loans (excl. OREO)	0.29	0.34	0.32	2bp	0.43	0.40	3bp	0.46	0.43	3bp
Loan Loss Reserve	694	688	708	-2.82%	694	721	-3.82%	651	678	-4.06%
% EOP Loans	1.30	1.32	1.35	-3bp	1.32	1.35	-3bp	1.21	1.24	-3bp
% Nonperforming Loans	450.65	386.52	417.94	-3143bp	307.79	336.26	-2848bp	262.47	287.47	-2501bp

Source: BofA Global Research estimates, company filings

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**Exhibit 7: FNB Corp (FNB) variance table**

New vs. old EPS estimates, assumptions (\$ in millions unless noted)

KEY FORECAST VARIABLES:	3Q23	Actual 4Q23E	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	32,261	32,811	32,586	0.69%	34,323	34,472	-0.43%	35,943	36,099	-0.43%
Average Loans	31,849	32,467	32,424	0.13%	33,433	33,537	-0.31%	35,133	35,286	-0.43%
Average Earning Assets	40,170	40,498	40,624	-0.31%	41,355	41,106	0.61%	42,902	42,690	0.50%
Net Interest Margin (%)	3.26	3.21	3.15	6bp	3.24	3.17	8bp	3.31	3.22	10bp
Net Interest Income (FTE)	329.5	326.9	322.7	1.30%	1,341.4	1,302.0	3.02%	1,421.7	1,373.9	3.48%
Loan Loss Provision	25.9	13.2	21.1	-37.10%	97.7	115.2	-15.22%	100.1	108.0	-7.35%
Noninterest Revenues	81.6	80.4	80.2	0.34%	333.3	330.3	0.89%	336.1	333.1	0.89%
Securities Transactions	(0.1)	0.0	0.0	NA	0.0	0.0	NA	0.0	0.0	NA
Tot. Revenue	411	407	403	1.11%	1,675	1,632	2.59%	1,758	1,707	2.98%
Total Expenses	218.0	218.9	218.9	0.01%	910.4	900.2	1.14%	950.7	939.9	1.14%
Pre-Tax Income (FTE)	167.1	175.2	162.9	7.54%	666.6	616.9	8.04%	707.1	659.1	7.29%
FTE Tax Rate (%)	11.5	18.3	18.0	0pp	21.0	18.0	3pp	21.0	18.0	3pp
Net Income	145.3	140.8	131.2	7.30%	517.3	496.3	4.22%	549.3	530.9	3.47%
Available For Common	143.3	138.7	129.2	10mn	515.8	485.0	31mn	549.3	519.6	30mn
<b>Op. EARNINGS PER SHARE (F.D.)</b>	<b>\$0.40</b>	<b>\$0.38</b>	<b>\$0.36</b>	<b>7%</b>	<b>\$1.42</b>	<b>\$1.34</b>	<b>6%</b>	<b>\$1.52</b>	<b>\$1.44</b>	<b>6%</b>
<b>GAAP EPS (F.D.)</b>	<b>\$0.40</b>	<b>\$0.13</b>	<b>\$0.29</b>	<b>-54%</b>	<b>\$1.42</b>	<b>\$1.34</b>	<b>6%</b>	<b>\$1.52</b>	<b>\$1.44</b>	<b>6%</b>
Book Value Per Share	\$16.13	\$16.56	\$16.36	\$0.20	\$17.67	\$17.47	\$0.20	\$18.87	\$18.67	\$0.20
Tangible Book Value Per Share	\$9.22	\$9.47	\$9.47	(\$0.00)	\$10.62	\$10.63	(\$0.00)	\$11.87	\$11.88	(\$0.01)
Dividends Per Share	\$0.12	\$0.12	\$0.12	\$0.00	\$0.48	\$0.48	\$0.00	\$0.48	\$0.48	\$0.00
Average Fully-Diluted Shares	361.8	362.3	361.8	1mn	362.3	361.8	1mn	362.3	361.8	1mn
<b>CAPITAL RATIOS:</b>										
EOP Common Equity/Assets (%)	12.72	12.88	12.86	1bp	13.45	13.38	7bp	13.89	13.84	5bp
Tang. Common Equity/Assets (%)	7.69	7.79	7.87	-8bp	8.54	8.59	-5bp	9.21	9.27	-6bp
Tangible Common Equity/RWA (%)	9.18	9.29	9.40	-11bp	10.20	10.28	-7bp	11.03	11.11	-8bp
Tier 1 Common/RWA (%)	10.17	10.41	10.31	10bp	11.04	10.82	23bp	11.59	11.30	29bp
Tier 1/RWA (%)	10.47	10.71	10.61	10bp	11.33	11.10	22bp	11.87	11.58	28bp
<b>PROFITABILITY RATIOS:</b>										
Return On Assets (%)	1.26	1.21	1.12	9bp	1.11	1.08	4bp	1.15	1.11	3bp
Return On Common Equity (%)	9.85	9.39	8.79	59bp	8.40	8.00	40bp	8.38	8.01	36bp
Return On Tangible Common Equity (%)	18.28	17.19	15.85	134bp	14.82	13.97	85bp	14.00	13.26	74bp
<b>BALANCE SHEET ITEMS:</b>										
EOP Total Deposits	34,615	34,711	34,614	0.28%	35,738	35,653	0.24%	37,168	37,068	0.27%
AVG Total Deposits	34,145	34,425	34,615	-0.55%	35,000	34,911	0.26%	36,453	36,360	0.25%
EOP Total Assets	45,496	46,158	45,631	1.15%	47,154	46,842	0.66%	48,756	48,418	0.70%
EOP Equity	5,894	6,050	5,977	1.22%	6,448	6,375	1.14%	6,879	6,808	1.05%
EOP Preferred Equity	107	107	107	0.00%	107	107	0.00%	107	107	0.00%
EOP Common Equity	5,787	5,943	5,870	1.25%	6,341	6,268	1.16%	6,772	6,701	1.07%
EOP Tangible Common Equity	3,310	3,397	3,398	-0.03%	3,813	3,814	-0.03%	4,260	4,263	-0.06%
<b>CREDIT QUALITY INDICATORS:</b>										
Net Charge-Offs	38	8	17	-51.76%	64	102	-37.25%	90	99	-9.09%
% Average Loans	0.47	0.10	0.21	-11bp	0.19	0.30	-11bp	0.26	0.28	-2bp
Nonperforming Assets	116	110	120	-8.33%	126	138	-8.34%	130	142	-8.33%
% EOP Loans + OREO	0.25	0.24	0.26	-2bp	0.37	0.40	-3bp	0.36	0.39	-3bp
Loan Loss Reserve	401	406	405	0.13%	439	418	5.02%	449	427	5.17%
% EOP Loans	1.25	1.25	1.25	1bp	1.28	1.22	7bp	1.25	1.19	7bp
% Nonperforming Loans	354.87	379.07	346.33	3273bp	357.55	311.46	4608bp	355.09	308.91	4618bp

Source: BofA Global Research estimates, company filings

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**Exhibit 8: Texas Capital (TCBI) variance table**

New vs. old EPS estimates, assumptions (\$ in millions unless noted)

KEY FORECAST VARIABLES:	3Q23	Actual 4Q23	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	20,768	20,385	20,566	-0.88%	22,919	22,808	0.49%	23,440	23,142	1.29%
Average Loans	21,047	20,140	20,292	-0.75%	21,771	21,730	0.19%	22,868	22,576	1.29%
Average Earning Assets	28,972	28,606	28,265	1.21%	29,333	29,253	0.27%	30,484	30,331	0.51%
Net Interest Margin (%)	3.13	2.93	2.94	-1bp	3.10	3.19	-9bp	3.13	3.11	2bp
Net Interest Income (FTE)	232.1	214.7	209.5	2.50%	910.3	933.3	-2.47%	954.4	943.9	1.11%
Loan Loss Provision	18.0	19.0	16.0	18.75%	87.6	92.5	-5.35%	91.2	72.8	25.31%
Noninterest Revenues	46.9	31.1	32.9	-5.26%	184.4	186.4	-1.05%	196.2	199.2	-1.52%
Tot. Revenue	279	246	242	1.45%	1,095	1,120	-2.23%	1,151	1,143	0.65%
Staff Expenses	110.0	108.0	108.7	-0.64%	478.0	478.9	-0.18%	500.2	502.8	-0.51%
Other Expenses	69.9	73.5	70.9	3.70%	280.7	277.8	1.02%	284.6	283.6	0.35%
Total Expenses	179.9	181.5	179.6	1.07%	758.7	756.7	0.26%	784.8	786.4	-0.20%
Pre-Tax Income (FTE)	81.1	45.4	46.8	-3.03%	248.4	270.5	-8.14%	274.6	283.9	-3.30%
FTE Tax Rate (%)	23.9	21.4	28.0	-7pp	23.0	25.0	-2pp	23.0	25.0	-2pp
Net Income	61.7	35.7	33.7	5.90%	191.3	202.8	-5.71%	211.4	213.0	-0.73%
Available For Common	57.4	31.4	29.3	2mn	174.0	185.6	-12mn	194.1	195.7	-2mn
<b>Op. EARNINGS PER SHARE (F.D.)</b>	<b>\$1.18</b>	<b>\$0.65</b>	<b>\$0.60</b>	<b>8%</b>	<b>\$3.68</b>	<b>\$3.82</b>	<b>-4%</b>	<b>\$4.10</b>	<b>\$4.11</b>	<b>0%</b>
<b>GAAP EPS (F.D.)</b>	<b>\$1.18</b>	<b>\$0.33</b>	<b>\$0.33</b>	<b>-1%</b>	<b>\$3.68</b>	<b>\$3.82</b>	<b>-4%</b>	<b>\$4.10</b>	<b>\$4.11</b>	<b>0%</b>
Book Value Per Share	\$57.85	\$61.37	\$58.80	\$2.58	\$66.85	\$65.11	\$1.73	\$71.52	\$69.69	\$1.83
Tangible Book Value Per Share	\$57.82	\$61.34	\$58.77	\$2.57	\$66.82	\$65.09	\$1.73	\$71.50	\$69.67	\$1.83
Dividends Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Average Fully-Diluted Shares	48.5	48.1	48.5	0mn	47.3	48.5	-1mn	47.3	47.7	0mn
<b>CAPITAL RATIOS:</b>										
EOP Common Equity/Assets (%)	9.38	10.22	9.56	66bp	10.65	10.15	50bp	11.14	10.39	74bp
Tang. Common Equity/Assets (%)	9.37	10.22	9.56	66bp	10.65	10.15	50bp	11.13	10.39	74bp
Tangible Common Equity/RWA (%)	10.73	10.81	10.94	-12bp	11.27	11.62	-35bp	11.78	11.89	-11bp
Tier 1 Common/RWA (%)	12.70	12.60	12.80	-20bp	12.66	12.87	-21bp	12.97	12.94	3bp
Tier 1/RWA (%)	14.30	14.20	14.39	-19bp	14.24	14.48	-24bp	14.61	14.57	4bp
<b>PROFITABILITY RATIOS:</b>										
Return On Assets (%)	0.81	0.48	0.45	2bp	0.68	0.68	0bp	0.72	0.68	4bp
Return On Common Equity (%)	8.19	4.45	4.16	30bp	5.83	6.22	-39bp	6.10	6.10	-1bp
Return On Tangible Common Equity (%)	8.81	5.07	4.77	29bp	12.66	12.87	-21bp	12.97	12.94	3bp
Operating Expenses/Revenues (%)	64.49	73.82	74.09	-27bp	69.30	67.58	172bp	68.21	68.79	-58bp
<b>BALANCE SHEET ITEMS:</b>										
EOP Total Deposits	23,879	22,372	23,148	-3.35%	24,708	24,718	-0.04%	25,654	25,662	-0.03%
AVG Total Deposits	24,241	23,980	23,513	1.98%	23,629	24,006	-1.57%	25,181	25,190	-0.03%
EOP Total Assets	29,628	28,356	29,527	-3.96%	28,891	30,797	-6.19%	29,558	31,617	-6.51%
EOP Equity	3,078	3,199	3,123	2.43%	3,377	3,426	-1.45%	3,592	3,587	0.15%
EOP Preferred Equity	300	300	300	0.00%	300	300	0.00%	300	300	0.00%
EOP Common Equity	2,778	2,899	2,823	2.69%	3,077	3,126	-1.59%	3,292	3,287	0.17%
EOP Tangible Common Equity	2,776	2,898	2,822	2.69%	3,076	3,125	-1.59%	3,291	3,286	0.17%
<b>CREDIT QUALITY INDICATORS:</b>										
Net Charge-Offs	9	14	10	35.75%	80	80	0.00%	62	62	0.00%
% Average Loans	0.17	0.27	0.20	7bp	0.37	0.37	0bp	0.27	0.27	0bp
Nonperforming Assets	63	81	70	16.05%	104	90	15.88%	207	178	16.54%
% EOP Loans + OREO	0.30	0.40	0.34	6bp	0.45	0.39	6bp	0.89	0.77	12bp
Nonperforming Loans	63	81	69	17.22%	104	88	17.22%	207	177	17.22%
% EOP Loans (excl. OREO)	0.30	0.40	0.34	6bp	0.45	0.39	6bp	0.89	0.76	12bp
Loan Loss Reserve	245	250	251	-0.29%	258	263	-2.16%	287	274	4.65%
% EOP Loans	1.19	1.23	1.23	0bp	1.13	1.16	-4bp	1.23	1.19	3bp
% Nonperforming Loans	387.94	307.10	361.03	0bp	248.28	297.45	0bp	138.21	154.81	0bp

Source: BofA Global Research estimates, company filings

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**Exhibit 9: Stocks mentioned**

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
CMA	CMA US	Comerica	US\$ 52.6	C-2-7
CBSH	CBSH US	Commerce Bancshares	US\$ 54.53	B-2-7
FNB	FNB US	FNB Corp	US\$ 13.32	B-1-7
TCBI	TCBI US	Texas Capital Bancsh	US\$ 63.76	B-3-9

Source: BofA Global Research

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## Price objective basis & risk

### Comerica Incorporated (CMA)

Our \$56 PO is based on applying a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.2x multiples respectively, below the bank's 5 year pre-pandemic median of 14.8x/1.6x given the bank's lack of idiosyncratic catalysts in the current environment.

Upside risks to our PO are stable-to-rising interest rates, continued improvement in credit quality, and/or higher-than-expected capital return. Downside risks to our PO are Fed rate cuts and/or higher-than-expected expenses.

### Commerce Bancshares Inc. (CBSH)

Our \$57.50 PO is based on a 50%/50% weighting between our 2025e EPS and 2024e tangible book value (TBV). We assigned 15x/2.5x multiples, respectively, to correspond with its near 15% ROTCE profile. We believe our 2025e better captures the full impact of revenue headwinds (vs. 2024e). Our P/TBV multiple is below its pre-pandemic average (2.7x) due to near-term EPS headwinds.

Upside risk: stronger than expected balance sheet growth, quicker return to profitability, and greater NIM expansion relative to peers. Downside risk: higher than expected expense growth, accelerated credit migration, and greater impact on fee income from regulatory changes.

### FNB Corporation of Pennsylvania (FNB)

Our \$16 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e tangible book value (TBV). We assigned 10.5x/1.6x multiples, respectively, improved capital levels and above-average ROTCE profile.

Upside risk: stronger than expected balance sheet growth, quicker return to profitability, and greater NIM expansion relative to peers. Downside risk: higher than expected expense growth, accelerated credit migration, and slower balance sheet growth.

### Texas Capital Bancshares Inc. (TCBI)

Our \$53 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e tangible book value (TBV). We assigned 10.8x/1.0x multiples, respectively, below relative history (16.3x/1.7x) due to limited EPS visibility.

Upside risk: stronger than expected balance sheet growth, quicker return to profitability and greater NIM expansion relative to peers. Downside risk: higher than expected expense growth, accelerated credit migration, slower balance sheet growth.

## Analyst Certification

I, Brandon Berman, 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
<b>BUY</b>				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	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
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	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 Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSIX	TSIX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
<b>NEUTRAL</b>				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala

## North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett

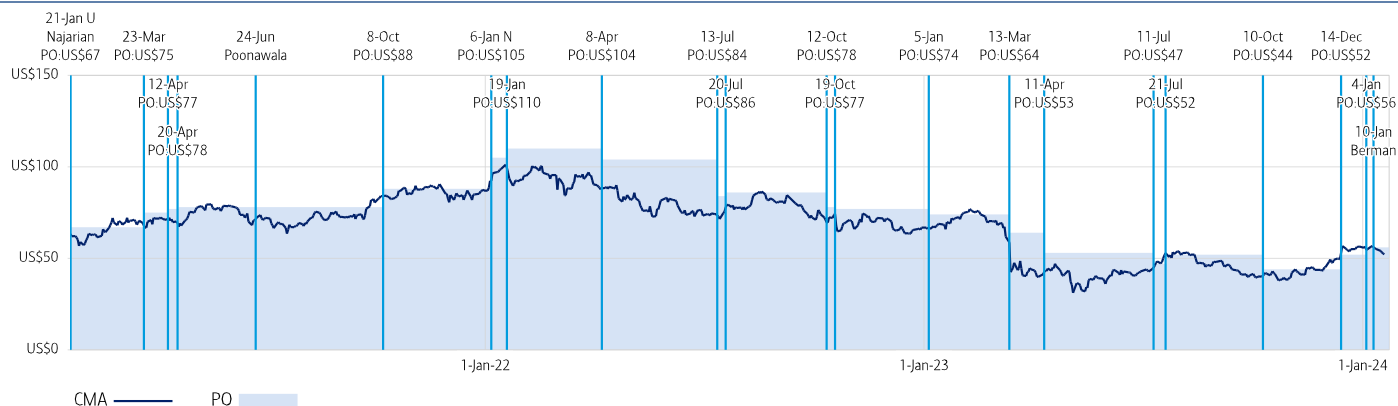
## UNDERPERFORM

	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

## Disclosures

## Important Disclosures

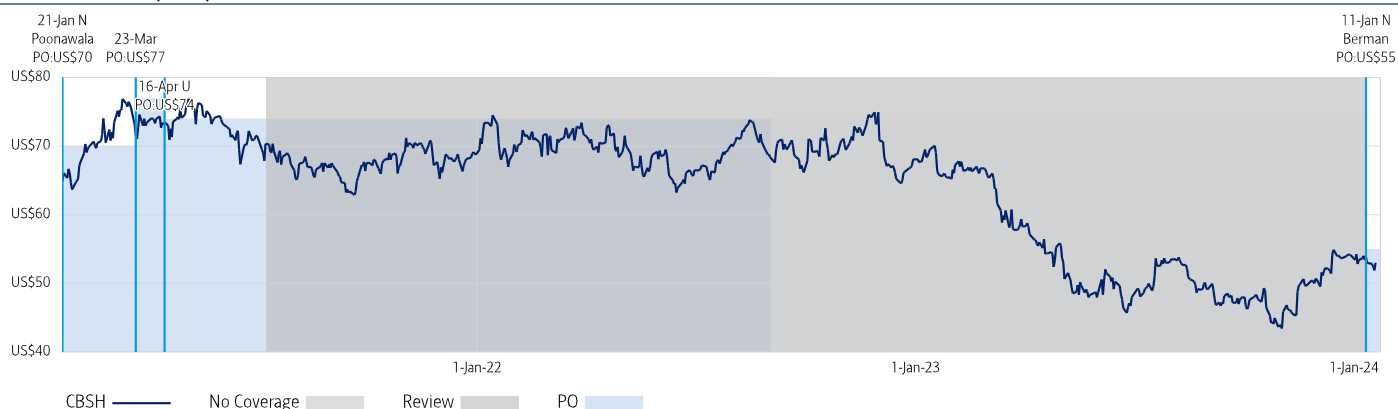
## Comerica (CMA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

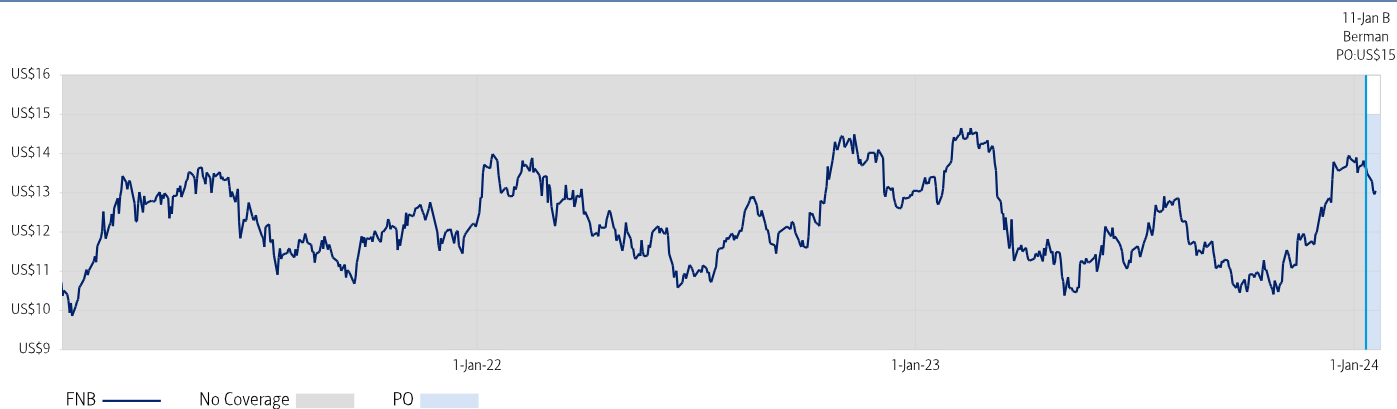
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## Commerce Bancshares (CBSH) Price Chart



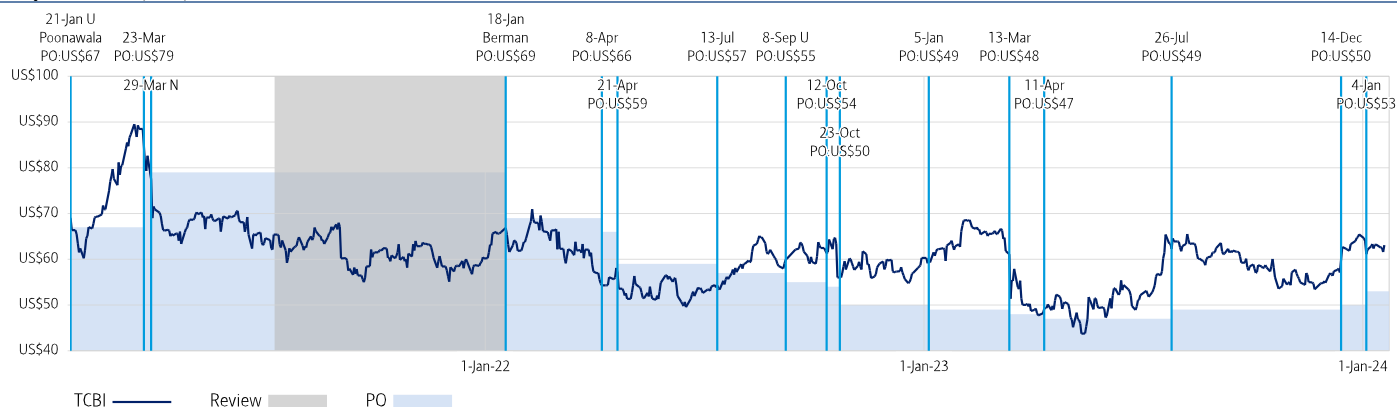
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**FNB Corp (FNB) Price Chart**

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**Texas Capital Bancsh (TCBI) Price Chart**

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> 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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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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